

Section 3.0 - COVA Opportunities for Re-engineering and Re-solutioning

3.0.1 Introduction

The Commonwealth Partners have listened carefully to the Commonwealth team's description of existing business processes and supporting technologies, evaluating their strengths, weaknesses, and suggestions for improvement. During and beyond the due diligence investigation, we have examined and incorporated relevant material available from secondary sources, such as the Council for Virginia's Future and the Auditor of Public Accounts. We believe that we have distilled this information, along with our own knowledge of best business practices for the public sector and our deep experience with large enterprise implementations, into an exciting end state vision for enterprise applications that we are eager to share with the Commonwealth of Virginia.

Our end state vision for enterprise applications includes two components, the Enterprise Business Process Framework and the Enterprise Applications Managed Solutions Portfolio. The Enterprise Business Process Framework will be the outcome of business process re-engineering, while the Enterprise Applications Managed Solutions Portfolio will represent the re-solutioning of the re-engineered business processes.

Enterprise Business Process Framework

The Enterprise Business Process Framework for the Commonwealth of Virginia includes the following components:

- Enterprise Business Process Model
- Enterprise Data Standards
- Key Performance Indicators
- Reporting Standards
- Policy Requirements

The Enterprise Business Process Model will be built on the foundation of the Commonwealth's Enterprise Business Architecture (EBA) for the four functional areas of Administrative Management, Financial Management, Human Resource Management, and Supply Chain Management. The EBA provides a high level decomposition of the business processes. The process model will carry this work much further into business process re-engineering -- driving the decomposition to the lowest level of operational business rules that can be applicable across agencies. The documentation of business rules within the process model will include detailed process flows that depict procedural steps, ownership, resources, inputs, outputs, and metrics.

The process inputs and outputs in aggregate comprise the Enterprise Data Model, which establishes the minimum requirements for enterprise-wide data elements that must be supported by all agencies. The data model in turn provides the lexicon for both the Key Performance Indicators and the Reporting Standards. The definition of each re-engineered business process

will include the metrics by which results are to be measured and the requirements for management reporting.

The purpose of business process re-engineering is to transform the business to achieve radical improvement in the results. The imperative for re-engineering comes from just a few key insights into the dynamics of the competitive marketplace, beginning 10 to 15 years ago in the private sector, but now working their effects in the public sector as well:

- **Sellers no longer have the upper hand; customers do.** In state government, this means that stakeholders – including citizens, legislators, vendors, lenders, and employees – are increasingly knowledgeable and empowered with readily available information.
- **Competition intensifies.** Stakeholders and business partners are increasingly aware of and willing to exercise their options in relationship to any provider or client, including state government.
- **Change becomes constant.** Driven largely by the pace of evolution in information technology, continuous change means that responsiveness becomes a key attribute of the competitive organization.

What are the common attributes of re-engineered business processes that address these insights?

The Commonwealth of Virginia's re-engineered business processes will be ...	
Fast	... because duplication of effort, redundancies, batch handling, and manual handoffs are eliminated.
Effective	... because the integration of business processes means better internal control, so that the results of processes are consistent with standards and inputs.
Reliable	... because processes are standardized across the organization and thorough documentation of processes is readily accessible.
Responsive	... because the re-engineered processes are built on an enterprise-wide data model that enables consistent, accurate operational reporting for decision makers.
Transparent	... because technology supports rather than constrains the re-engineered and re-solutioned business processes.
Measurable	... because key performance indicators, objectives, and data collection protocols are established for each business process.
Accountable	... because every process rolls up to a single owner.
Intuitive	... because process design is based on best business practices rather than parochial organizational interests.
Manageable	... because the process model will be scalable to the requirements of both large, complex agencies and small agencies with narrowly focused programs.
Agile	... because the underlying state-of-the art technology is adaptable to organizational realignments, changing program priorities, and legislative and regulatory initiatives.

The Commonwealth Partners bring to the Commonwealth of Virginia an established track record in business transformation for state government. We joined the Commonwealth of Pennsylvania in its “Imagine PA” project, the largest-ever statewide implementation of enterprise resource planning (ERP) software. With our assistance as system integrators, Pennsylvania rolled out ERP financials, budgeting, procurement, human resources, and payroll for 53 state agencies with total annual budget over \$40 billion and 95,000 employees between July 2002 and July 2004.

It is important to recognize that the Enterprise Business Process Framework, as a product of re-engineering, is independent of and unconstrained by technology. The selection of enabling technology for the Enterprise Business Process Framework is a matter of re-solutioning, not re-engineering. The distinction is important because the Enterprise Business Process Framework is larger than technology. As the business changes over time, as the business must, the model continually outpaces the technology that is implemented at any particular point in time. As an engine for growth, the Enterprise Business Process Framework drives the search for new solutions, providing a permanent mechanism for the Commonwealth of Virginia to maintain its competitive edge as the best-managed state in the U.S.

Enterprise Applications Managed Solution Portfolio

The end state vision for Enterprise Applications includes a managed portfolio of state-of-the-art technology solutions that support the re-engineered business processes. The managed solution portfolio includes, but is not limited to, a world class enterprise resource planning (ERP) software suite – PeopleSoft – as the enterprise financial “backbone.” PeopleSoft is already implemented and familiar to some of the major Commonwealth agencies. While the Commonwealth Partners certainly recognize and advocate the process integration capabilities of ERP software packages, we do not recommend any single strategy or solution on a one-size-fits-all basis. As described in greater detail for each tower in the following sections, we believe there is applicability also for best-of-breed and point solutions.

The managed portfolio will replace the disparate and largely unmeasured redundancy of today’s environment, where agencies have independently implemented solutions – many of them large, complex, and expensive – without any need to take an enterprise perspective on standards, efficiencies, and economies of scale across the Commonwealth.

The managed portfolio will offer a “buffet” of applications from which agencies can choose to support their business processes, according to their programs and mission, balancing the diverse needs of agencies with the overall Commonwealth mission to deliver quality services at the lowest possible cost.

The Managed Solutions Portfolio ...
... is the set of underlying applications that enable the Enterprise Business Process Framework.
... evolves as the Enterprise Business Process Framework evolves, with applications being added or retired, to meet the changing requirements of the business.
... is owned centrally by an Enterprise Center of Excellence (COE).
... is subject to a disciplined change control process based on strategic business priorities.
... offers an array of business solutions from which agencies can pick and choose, according to their mission, size, resources, complexity, and transaction volumes.
... reduces support costs and process costs through integration and economies of scale.
... is cost justified based on a business case that aligns measurable costs and benefits.

The Managed Solutions Portfolio ...

... is compulsory, since agencies are no longer permitted to independently devise and deploy solutions for business processes that are identified in the Enterprise Business Process Framework.

... is diverse, allowing for alternative or parallel solutions to be introduced with an appropriate business case justification.

We understand, however, that the end state vision of the Enterprise Business Process Framework and the Enterprise Applications Managed Solutions Portfolio, however compelling, does not make a business case all by itself. We understand that the Commonwealth also needs a roadmap to attaining that vision – an implementation strategy, approach, and governance structure -- that stands on its own in demonstrating how business benefits will be realized while managing cost and risk.

The Commonwealth Partners proposal for achieving the end state vision for the Commonwealth:

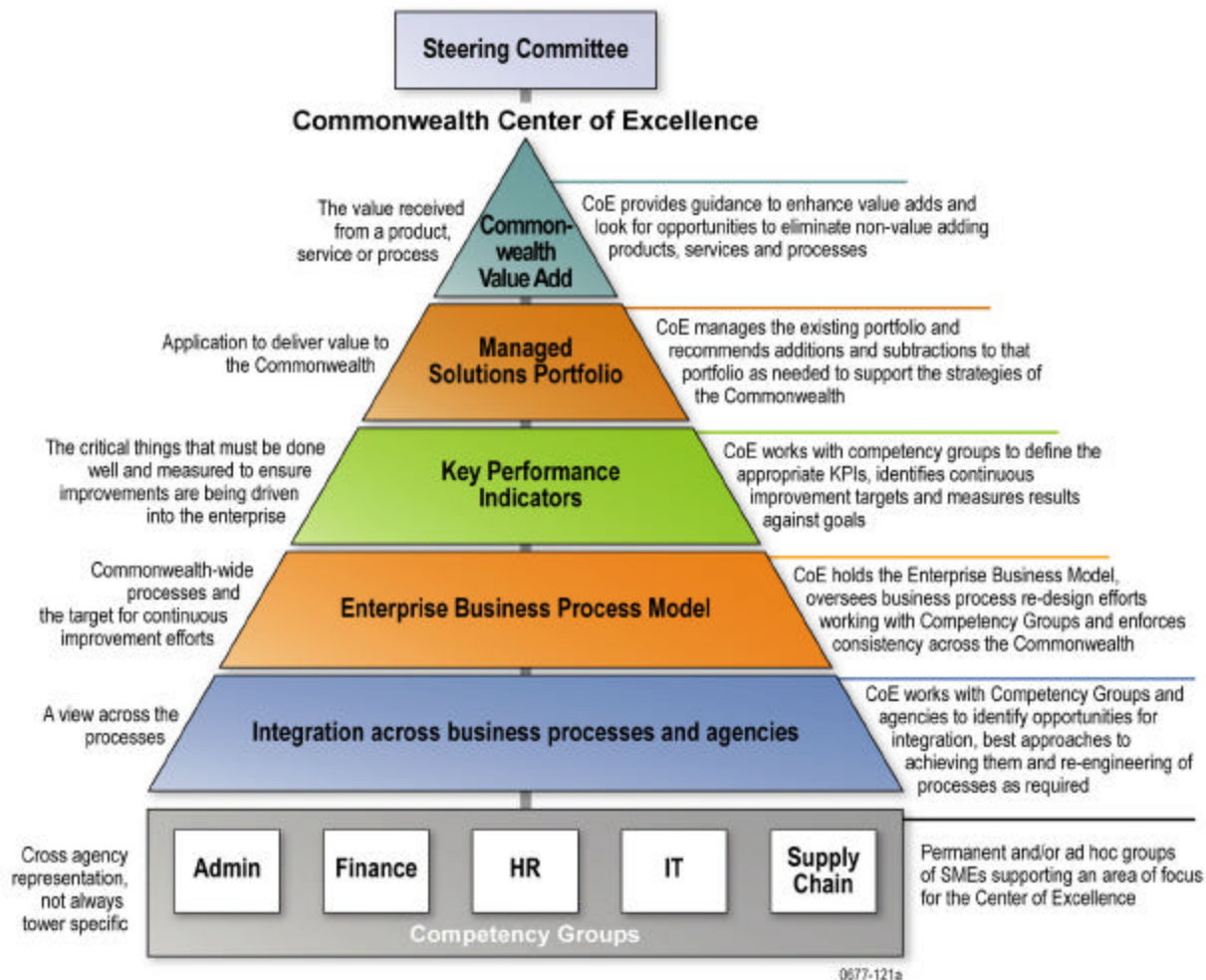
- Is executable because it takes advantage of existing initiatives and funding streams
- Uncovers, accelerates, and leverages new funding streams
- Minimizes the risk of business disruption
- Mitigates the impact of business process change on the organization, stakeholders, and workforce

Business Process Governance

Our end state vision also includes a governance mechanism for the Commonwealth to manage its construction and to preserve and grow its investment in the Enterprise Business Process Framework and the Enterprise Applications Managed Solutions Portfolio once these are brought into existence. That mechanism illustrated in Figure 3-1 is the Center of Excellence (COE), a cooperative of Commonwealth business process owners that drives and ultimately owns the outcome of re-engineering and re-solutioning. The COE will operate to ensure that business processes once integrated, stay integrated. It will control the evolution of the Enterprise Business Process Framework and the Enterprise Applications Managed Solutions Portfolio as business requirements and their supporting technologies change over time. It will drive continuous business process improvement to maintain Virginia's competitive edge as the best managed state. It will own the key performance indicators (KPIs) that measure the progress of ongoing improvement.

Operationally, the COE will draw upon supporting Competency Groups that are organized around the different business processes in Administrative Management, Financial Management, Human Resources Management, and Supply Chain Management, with representation across the executive branch agencies. The Competency Groups will consist of subject matter experts participating primarily on a part-time basis, although the staffing of particular enterprise application implementation projects may also draw on Competency Group resources.

Figure 3-1: Commonwealth Center of Excellence



The Commonwealth Partners believe that that our proposal for the Center of Excellence and the Competency Groups provide a strategy for the Commonwealth to meet several key challenges:

- How to prepare the organization for the “steady state” environment after the enterprise application implementation projects are completed
- How to share ownership of business processes across agencies and secretariats
- How to preserve the momentum and grow the investment in re-engineering and re-solutioning
- How to create a culture of continuous improvement
- How to ensure that the state government business processes adapt to the Commonwealth’s evolving priorities
- How to establish and maintain the key performance indicators that allow the leadership to manage and control the delivery of services across the enterprise

The following sections of this document present details for constructing the Enterprise Business Process Model through re-engineering and developing the Enterprise Applications Managed

Solutions Portfolio through re-solutioning in each of the four business process towers:
Administrative Management, Financial Management, Human Resources Management, and
Supply Chain Management.

3.1 Administrative Management

This section includes a discussion of the proposed re-engineered and re-solutioned Administrative Management processes. Its purpose is to illustrate and articulate a target (or desired) process environment or architecture that is appropriate for the Commonwealth.

The Administrative Management process area, as defined in the Commonwealth's Enterprise Business Architecture (EBA), consists of the following business processes:

- Equipment Management
- Facilities Management
- Fleet Management
- Travel

The main challenges of re-engineering the Administrative Management process area are the diversity of the sub-processes within it and the diversity of the agencies and their programs. There is no straightforward relationship or information flow among equipment management, facilities management, fleet management, and travel that would suggest commonalities in either process design or solution. Moreover, the significance of these processes in relation to mission and program varies widely across the executive branch agencies. At the Virginia Department of Transportation, for example, the scope of equipment management dwarfs the efforts in other agencies. Many smaller agencies successfully manage their relatively modest requirements in Administrative Management using simple, locally supported applications, and they might legitimately question the tradeoffs involved in taking an enterprise view of the process area. In Administrative Management, the benefits of an Enterprise Business Process Model may be less obvious than in other process areas, such as Financial Management or Human Resources Management.

Still, the Commonwealth Partners believe there is significant opportunity for process improvement even if the equipment management, facilities management, fleet management, and travel processes are addressed individually. In state government, these processes are more closely linked to agency mission and program than the traditional "back office" activities of finance and human resources that lend themselves to sweeping enterprise solutions like Enterprise Resource Planning (ERP) systems. So there may be fewer expectations for business process integration – the sharing of information and supporting technology – across the Administrative Management processes, while we still drive improvement from establishing a standard, enterprise-wide process design within each of them.

The re-engineered process environment for Administrative Management in the Commonwealth can be supported with the implementation of two types of applications, enterprise asset management and workplace management systems. The following table lists the enterprise Administrative Management processes we analyzed during the due diligence phase of the Enterprise Applications PPEA, the corresponding application type we propose to implement, and how it will change in the desired process environment:

Table 3-1: Administrative Management Proposed Implementation and Effect

Administrative Process	Enterprise Application	Effect on Process Environment
Equipment Management	Enterprise Asset Management	Implemented as a common Equipment Management system across the Commonwealth. Providing common integration with other key Commonwealth applications such as PeopleSoft and eVA.
Facilities Management	Workplace Management System	Implemented as a common facilities management system across the Commonwealth. Providing common integration with other key Commonwealth applications such as PeopleSoft and eVA
Fleet Management	Transportation Overlay	Enhances the core capabilities of the Maximo Enterprise Asset Management system. It will be implemented across the Commonwealth providing extended capabilities not covered today with the planned FASTER fleet management system.
Travel	We do not find a business case for re-solutioning the travel process at this time.	We propose centralizing the travel department and enhancing current processes through the establishment of the Center of Excellence. We also envision the establishment of Commonwealth-wide purchase orders and contracts along with Key Performance Indicator (KPI) measurements to drive improvements to the process.

Target Environment

The target process environment can be described by its effect on three factors; process, technology, and people. Our proposed solution for the Administrative Management processes will bring about changes in all three areas.

Process

The catalyst for change is the desire to continuously improve Administrative Management processes. The Commonwealth's Administrative Management processes are fully supporting the operation of the Commonwealth today. However, to meet the Council on Virginia's Future strategic objective # 4 of being "...recognized as the best-managed state in the nation..." year after year requires continuous process improvement. Continuous process improvement has been proven to result in the following:

- Improved customer service
- Reduced cycle times
- Fewer errors through a focus on quality
- Reduced resources devoted to carrying out productive processes
- Better information to support management decision-making
- Reduced risk

Our proposed solution envisions a process environment in which redundant data entry is eliminated, manual steps in a process are automated, and approvals are on-line. The To-Be Administrative Management processes are characterized by the following:

- **Decentralized, One-Time Data Entry** – Data is entered into the system one time and is captured as close to its source as possible to increase accuracy and reduce paper transactions.
- **Elimination of Manual Steps** – Where possible, transactions and approvals will be processed on-line.
- **More Efficient Processing** – Competency Groups will be established under the Center of Excellence for the purpose of continually improving Commonwealth policies and processes. One source for process improvements will be performance data captured from KPIs and scorecards.
- **Reduced Risk** – React swiftly to business problems as a result of visibility provided by KPIs and improved reporting capabilities.

The desired process environment is based on looking at current processes and recognizing where technology can improve them. We understand that some process improvements require changes in laws, regulations, or administrative procedures, and can be effective without the introduction of new technology. Our solution leverages our specialized knowledge of technology and government and recommends ways in which new systems can further the Commonwealth's drive to improve its Administrative Management processes continuously. We are aware of many best practices for improving processes, but we also recognize that to sustain process improvements and ingrain them in the culture of an organization requires a focus on technology and people.

Technology

We believe that the appropriate target architecture for the Commonwealth is one in which agencies focus on their core business while technology specialists focus on the hardware and software that supports the business. In the same way that an agency must have an office to conduct its business but relies on professionals to manage the property, agencies requiring the support of an automated Administrative Management system should not worry about hardware, databases, back-ups, upgrades, and overall maintenance of that system. If each agency constructed, maintained, and managed its own property, the Commonwealth could easily end up with hundreds of separate office buildings scattered throughout the capital. Such an arrangement is far less efficient than having fewer structures in which agencies with similar needs share space, maintenance, and property management. All agencies share certain automated Administrative Management needs, which with sufficient participation, planning, and change management, can be accommodated in one application, on one set of hardware, in one location.

The two enterprise applications we propose for the Administrative Management tower are as follows:

- **Maximo EAM (Enterprise Asset Management)** – To achieve the target environment, the Commonwealth Partners and the Commonwealth propose to carry out a series of implementations to move from many agency-based Equipment Management systems to a

common enterprise-wide system that provides consistent functionally and process across the Commonwealth.

- **Tririga IWM (Integrated Workplace Management)** – We propose to implement an application for agencies that have facilities and workplaces to operate and maintain.

To improve visibility and reporting of overall performance the Commonwealth Partners will support the use of enterprise-wide scorecards. Both of the above enterprise applications support tactical KPIs that will be monitored at the agency level and strategic KPIs that will be visible at the executive level. These performance indicators will be presented in a user-friendly fashion across the Executive Branch agencies.

These enterprise applications help to streamline processes, reduce risk, improve visibility into Administrative Management activities, and reduce expenditures (through reducing labor, increasing productive time, improving strategic buying, improved data accuracy and improved information visibility).

At the heart of our solution for the Administration Management Tower are enterprise level support systems for Equipment, Facilities, and Fleet management. Our solution suggests a managed progression toward that goal. First, we envision establishing a Center of Excellence where subject matter experts from across all agencies participate to establish best industry practices for the Commonwealth. We then propose to implement the new supporting application systems (Maximo and Tririga) and begin system implementations that will act as keystones for the Commonwealth. The Commonwealth Partners will work closely with the Commonwealth to determine the correct sequence in which to bring follow-on agencies onto the systems.

The new enterprise systems would interface with other enterprise-wide applications such as eVA, HR/Payroll, finance, and executive scorecards, as well as other agencies mission-specific applications as required. Judicial and Legislative branch agencies, independent agencies, and Higher Education agencies would be invited to participate. And we believe many would. However, our proposal focuses on those agencies over which the Governor has control.

People

The vision for re-engineered and re-solutioned Administrative Management processes is not complete without a discussion of changes to the human resources that interact with the systems.

Our proposed solution for the Administrative Management Tower will affect the workforce in the following ways:

- **Allocation of Responsibilities** – Our solutions promote a clearer division of labor among state employees. The business owners are able to focus on business while the technical support resources focus on the hardware and application.
- **Knowledge** – The Administrative Management systems will be friendly to the end-user, while being more sophisticated in its features and functionality. The technical support team will include members with specialized expertise in the new technology.

- **Mix of Skills** – By bringing agencies onto one common set of systems, there will be fewer Administrative Management systems in the Commonwealth that required specialized expertise to support. As more and more agencies come on board with the enterprise-wide system, the number of different applications being supported by technology staff will decrease.
- **Allocation of Human Resources** – Process improvements supported with technology can yield efficiency. The desired process environment will enable the Commonwealth to redirect some resources to higher and better uses.

Enterprise Applications PPEA is a critical part of IT Transformation for the Commonwealth and will affect how work is allocated and performed. New policies, procedures, services and relationships will be created. Jobs, skills and performance measurement will be affected. Over time, new system capabilities, services, business process improvements and IT solutions will be implemented, generating more impact on the Commonwealth's human resources.

Rollout of Administrative Management Tower Solutions

The pathway to the desired process environment and architecture consists of the following:

Table 3-2: Administrative Management Proposed Schedule

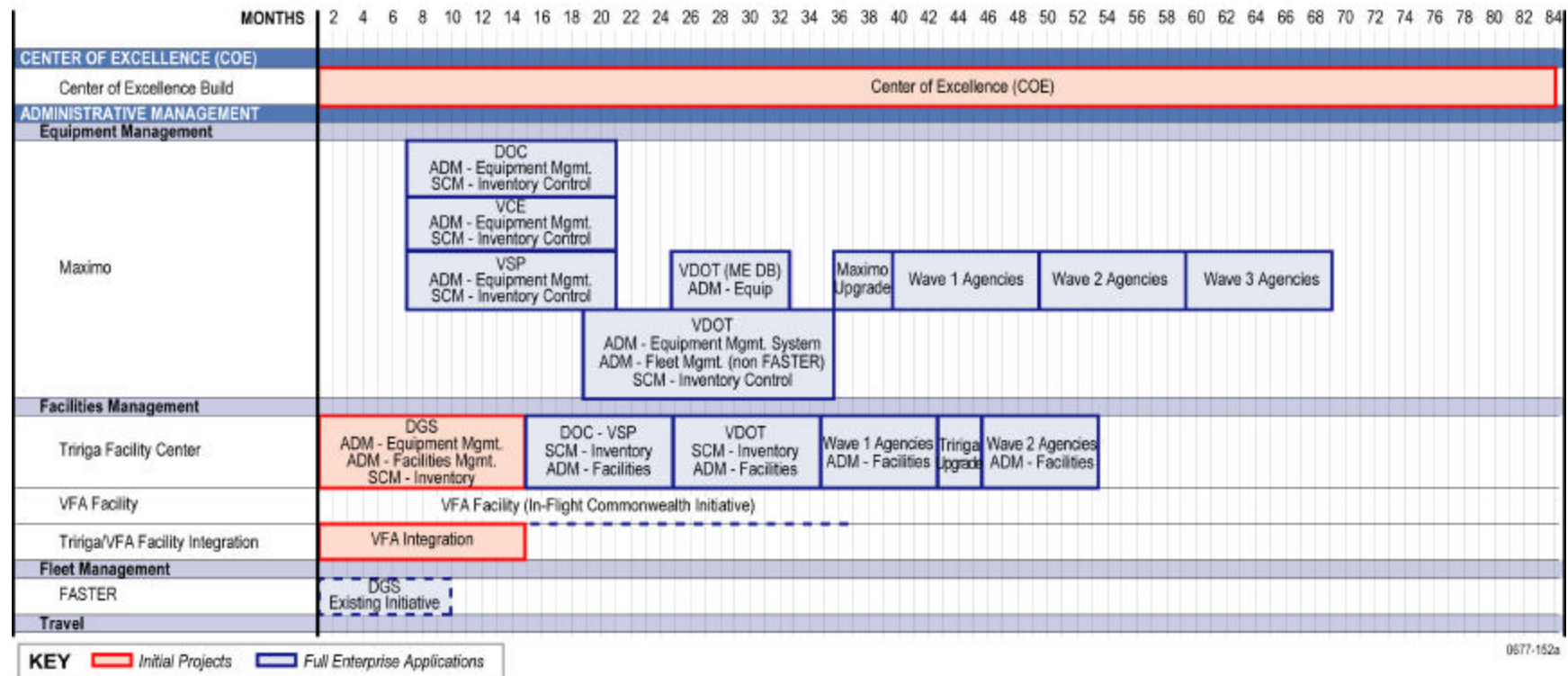
Project	Estimated Timeframe
Establish the Facility Management Competency Group	Jan. 2006
Implement Tririga Integrated Workplace Management System at DGS	Jan. 2006-Feb.2007
Migration of additional agencies onto Tririga	March 2007-Jun. 2010
Establish the Equipment Management Competency Group	Jul. 2006
First Commonwealth implementation of Maximo Enterprise Asset Management System	Jul. 2006-Oct. 2007
Migration of additional agencies onto Maximo	Oct. 2007-Aug. 2013
Establish the Fleet Management Competency Group.	Aug. 2006

The result is streamlined information technology architecture to support fewer integrated systems. Each of these major components on the pathway to the target state is described in more detail in the following sections.

The Commonwealth Partners have identified enterprise-wide administrative scorecards or dashboard reporting as a key benefit. The administrative scorecards (KPIs) for the executive level are a long-term project and will be implemented and rolled out to agencies in phases beginning in the third year of the project to allow for the accumulation of viable reporting data. The Commonwealth Partners will implement tactical KPIs within the new enterprise application suite as they are being rolled out.

Figure 3-2 summarizes the implementation approach for the enterprise solution for the administrative team:

Figure 3-2: Administrative Tower Solution Map



The following discussion of re-engineering and re-solutioning for the administrative tower is organized according to its four major processes:

- Equipment Management
- Facilities Management
- Fleet Management
- Travel Management

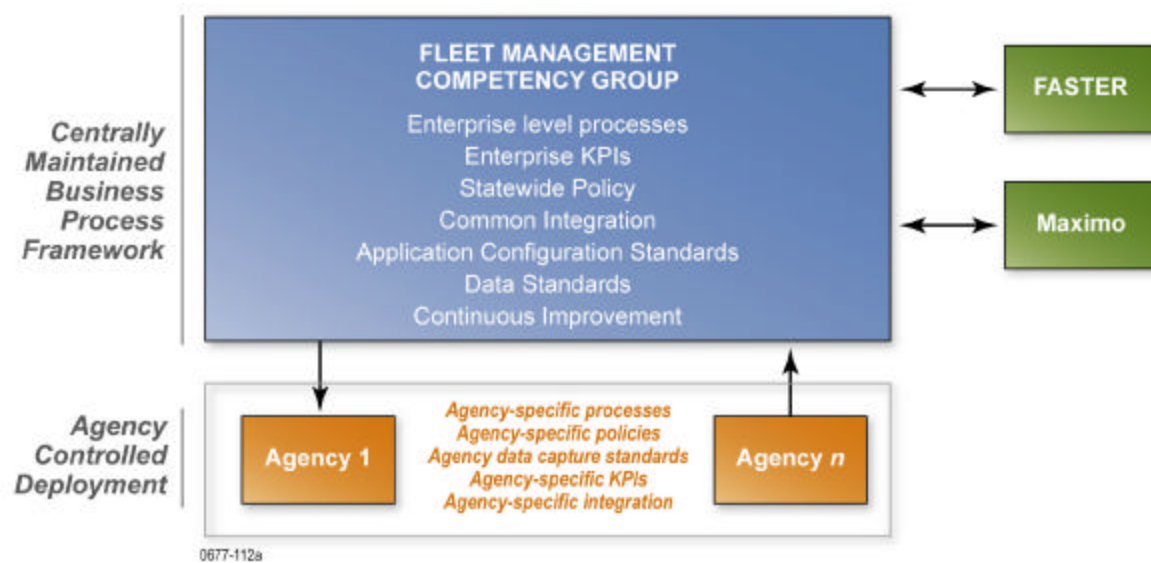
The introduction to this section provides an overview of the features of the re-engineered processes. The features range from how the process works to its impact on Commonwealth government. Some features vary significantly among the processes while others are consistent across all processes. Features that are consistent among the processes are described only once in the introduction section. These include the following: integration points, reporting requirements, security considerations, and data conversion requirements.

Other features of the processes are discussed separately for each of the four processes. Features discussed for each process include the following; process flow narrative, process objectives and key performance indicators, organizational impact considerations, impact on existing policies and procedures, other risks, and improvements, strengths and weaknesses. Please note that the presentation of text, tables, and graphics for the four processes may appear repetitive; however, that is because the four sections are intended to be separable, for targeting toward four different audiences if the Commonwealth desires. The end-to-end reader will note that the commentary and other details differ among the processes.

3.1.1 Fleet

The Commonwealth Partners approach for the re-design of the Commonwealth's Fleet Management processes is to support the current Department of General Services (DGS) plans to implement the FASTER fleet management system by using this as the baseline for an enterprise-wide system. However, the Commonwealth Partner's understanding that the scope of the FASTER project still leaves a number of vehicles unsupported by a fleet management system. These include four-wheel drive and SUV vehicles, ATVs, helicopter, boats, etc. These vehicles will be supported by the Maximo Enterprise Asset Management (EAM) system.

Figure 3-3: Fleet Management Competency Group



The Commonwealth Partners approach would establish a Competency Group for Fleet Management within the enterprise Center of Excellence (COE). The Competency Group would establish processes and procedures for implementing a Commonwealth-wide Maximo system (Transportation Edition). Each agency with vehicles (some agencies such as VDOT may classify some vehicles as equipment today) that are not supported by the DGS FASTER solution will be managed by the Maximo system. The system will keep track of vehicle inventory, preventative maintenance plans, maintenance history, vehicle usage, and other key vehicle attributes. The Fleet Management Competency Group would be responsible for establishing Commonwealth-wide Fleet Management policies, data standards, reporting standards, and own enterprise level processes. Over time, all Commonwealth agencies not supported by FASTER will be migrated to this common application platform, using a common set of processes and a common set of configuration tables. By establishing this standardized environment, one common set of application interfaces can be developed. This will allow all the agencies using the Commonwealth's Maximo Fleet Management system to enjoy a fully integrated system without each agency having to individually develop the integration. Another significant benefit to this approach is that a common set of data elements will be captured within the Maximo system. This will provide management the opportunity to view Fleet Management data from an enterprise level. Agency information will be able to be rolled up into a variety of levels for assessment and use in executive decision making. Furthermore, this approach makes the use of key performance indicators (KPIs) more meaningful at the agency level, when comparing groups of agencies or when populating Commonwealth level performance dashboards.

Process Flow Narrative

Figure 3-4: Fleet Management Process Decomposition

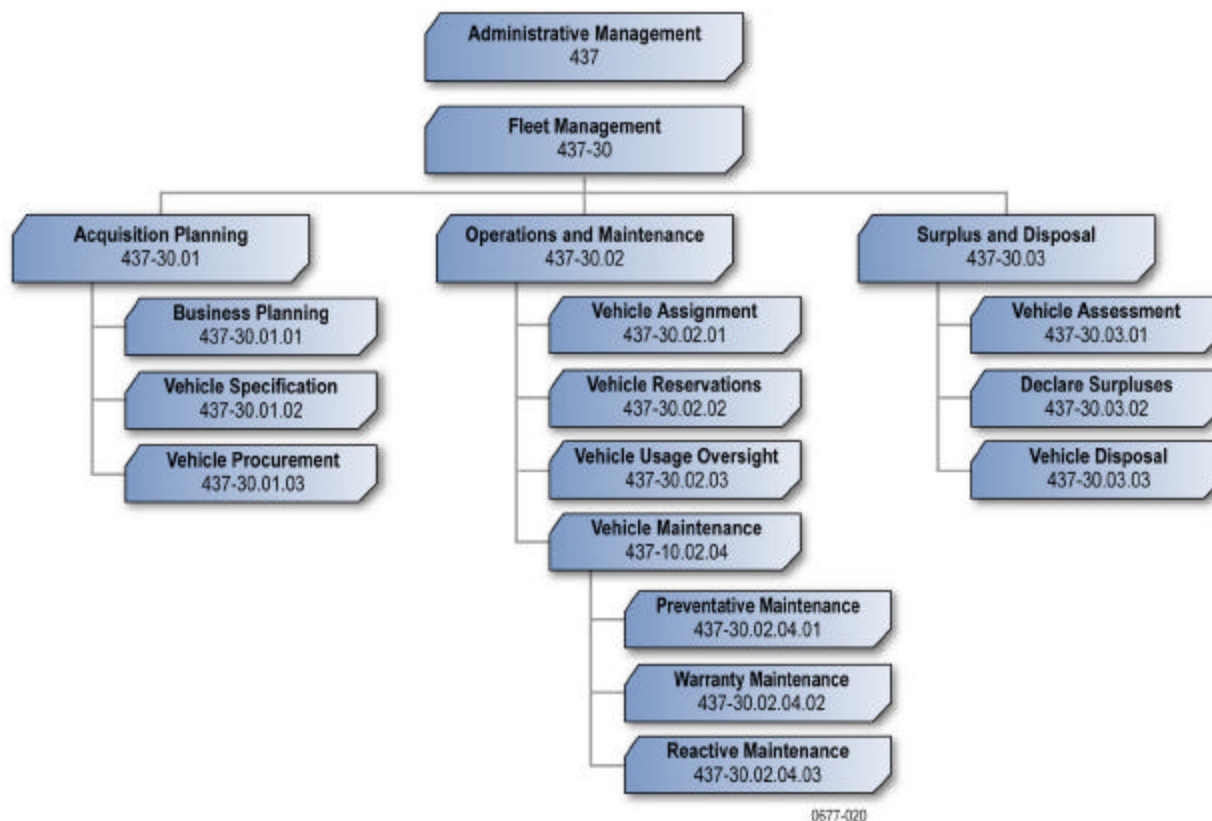


Table 3-3: Process Characteristics for Fleet Management

Characteristic	Under Proposed Solution
Process: Acquisition Planning	Acquire fleet based on agency needs.
Inputs and predecessors	<ul style="list-style-type: none"> Forecast Acquisition Plan Agency Budgets Agency Vehicle Status Report
Outputs and successors	Approved budget / financial plan Proposed Vehicle Acquisition Plan
Process orientation	Decentralized
Process placement	In-sourced
Process: Business Planning	Determine fleet needs to meet the agencies current mission.
Inputs and predecessors	<ul style="list-style-type: none"> Current agency mission with need detail report Agency Vehicle Status Report
Outputs and successors	<ul style="list-style-type: none"> Projected fleet roll-over plan Budget / financial approval
Process orientation	Decentralized
Process placement	In-sourced
Process: Vehicle Specification	Develop detailed vehicle specification needed for acquisition.
Inputs and predecessors	<ul style="list-style-type: none"> Detailed list of specific needs for vehicle activity Available vehicle specification information

Characteristic	Under Proposed Solution
Outputs and successors	<ul style="list-style-type: none"> Unique vehicle specification list Estimated cost and option data
Process orientation	Decentralized
Process placement	In-sourced
Process: Vehicle Procurement	Agency approvals and procurement of identified fleet.
Inputs and predecessors	<ul style="list-style-type: none"> Unique vehicle specification list Vendor relationships
Outputs and successors	<ul style="list-style-type: none"> Approved purchase agreements Request For Quote
Process orientation	Decentralized
Process placement	In-sourced
Process: Operations & Maintenance	Controls where the asset or item is deployed and utilized.
Inputs and predecessors	<ul style="list-style-type: none"> Current preventative maintenance program information Current processes and policies
Outputs and successors	<ul style="list-style-type: none"> Increased fleet availability through more efficient fleet management, service delivery improves Establish reliable consistent vehicle data
Process orientation	Decentralized
Process placement	In-sourced
Process: Vehicle Assignment	The Code of Virginia requires that all passenger-type vehicles purchased with public funds by any State agency, institution, or employee must be assigned to the centralized fleet.
Inputs and predecessors	<ul style="list-style-type: none"> Complete vehicle list Agency need and usage reports
Outputs and successors	<ul style="list-style-type: none"> Improve accountability for vehicle usage and repair Develop and implement standard policies and procedures for all vehicle types
Process orientation	Decentralized
Process placement	In-sourced
Process: Vehicle Reservations	The management of dispatching the centralized fleet to local agencies .
Inputs and predecessors	<ul style="list-style-type: none"> Complete vehicle list Agency need and usage reports
Outputs and successors	<ul style="list-style-type: none"> Improve accountability for vehicle usage Ability to capture true lifecycle costs of a vehicle
Process orientation	Decentralized
Process placement	In-sourced
Process: Vehicle Usage Oversight	Identifies where usage of a fleet vehicle is more cost effective .
Inputs and predecessors	<ul style="list-style-type: none"> Agency usage reports Vehicle activity detail
Outputs and successors	<ul style="list-style-type: none"> Agency usage policies Commonwealth policies
Process orientation	Decentralized
Process placement	In-sourced
Process: Vehicle Maintenance	Ability to track/scheduled maintenance, with consistent labor/inventory data to identify, repair, and maintain the fleet to the assembly level for repair history.

Characteristic	Under Proposed Solution
Inputs and predecessors	<ul style="list-style-type: none"> Vehicle tracking and usage information Labor and Parts availability
Outputs and successors	<ul style="list-style-type: none"> Reliable consistent vehicle data Automated scheduling and tracking of preventative maintenance activities Eliminate redundant fleet management efforts
Process orientation	Decentralized
Process placement	In-sourced
Process: Surplus and Disposal	Determines the appropriate method of disposal.
Inputs and predecessors	<ul style="list-style-type: none"> Agency Vehicle Status Report Disposal regulation and plans
Outputs and successors	<ul style="list-style-type: none"> Ability to capture true lifecycle costs of a vehicle Vehicle disposal process
Process orientation	Decentralized
Process placement	In-sourced
Process: Vehicle Assessment	The assessment of the centralized fleet.
Inputs and predecessors	<ul style="list-style-type: none"> Vehicle Standards and guidelines Agency Vehicle Status Report
Outputs and successors	<ul style="list-style-type: none"> Total fleet assessment report Suggested surplus vehicle list
Process orientation	Decentralized
Process placement	In-sourced
Provide: Surplus Declaration	The vehicle list that has been identified for surplus .
Inputs and predecessors	<ul style="list-style-type: none"> Agency Vehicle Status Report Surplus policy
Outputs and successors	<ul style="list-style-type: none"> Surplus vehicle report Cost estimates for recovery
Process orientation	Decentralized
Process placement	In-sourced
Provide: Vehicle Disposal	The process of disposing and cost recovery of retired vehicles .
Inputs and predecessors	<ul style="list-style-type: none"> Agency Vehicle Status Report Disposal Policy
Outputs and successors	<ul style="list-style-type: none"> Obsolete Vehicle Report
Process orientation	Decentralized
Process placement	In-sourced

Process Owner

In order to maintain the highest level of standardization, the Fleet Management Competency Group will be established. The Group will establish those processes that are deemed to be enterprise level processes. Each individual agency will assign owners for agency-specific sub-processes. Reference Figure 3-4: Fleet Management Process Decomposition.

Resources

Resources will need to be identified to participate within the Fleet Management Competency Group. Other resources utilized for Fleet Management today will continue to support the new system and business processes.

Process Placement (in-Source, out-Source, co-Source)

The Commonwealth Partners support the current DGS plans to implement the FASTER Fleet Management system and suggests that those vehicles not supported by FASTER be managed by the new Maximo system. The implementation of FASTER will move vehicle management closer to a centrally managed function. For the most part Fleet Management is in-sourced with the exception that of a percentage of the vehicle maintenance that is contracted out to local repair shops.

Process Objectives and Key Performance Indicators (KPIs)

In order to implement enterprise level KPIs that are meaningful, the Commonwealth must have a common set of data elements supported by a common set of configuration code standards. The more standardized the data can be, the more useful the KPIs become. The Commonwealth Partners will work closely with the Commonwealth to establish meaningful enterprise level KPIs that will be populated and displayed through the executive information dashboard tool that

the Commonwealth uses today. This does not preclude the use of lower level KPIs. In fact we recommend that the use of KPIs be driven down in the organization to the lowest practical levels. Typically, we would use the built-in KPI functions of Maximo to implement individual agency or supervisor level KPIs.

Figure 3-5: KPI Hierarchy

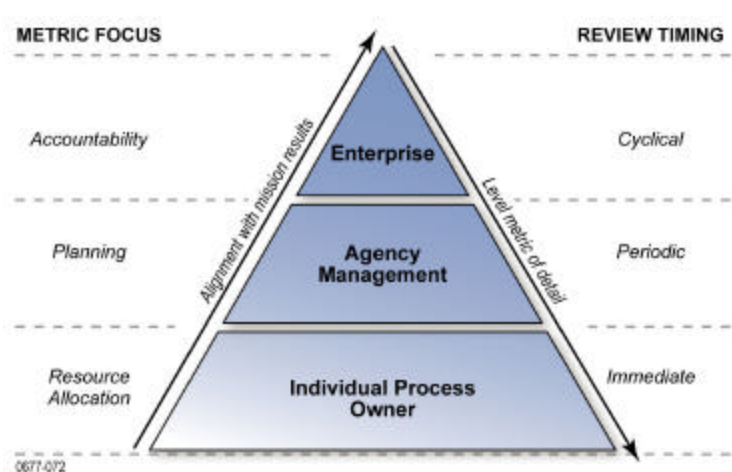


Table 3-4: KPIs for Fleet Management

Potential KPI	Objective
▪ Mean time between failures	▪ Measures the effectiveness of vehicle reliability.
▪ Percent Utilized	▪ Measures equipment utilization for management reporting
▪ Availability	▪ Measures percentage operational readiness.
▪ Percentage of Surplus	▪ Measures percentage of vehicles that are available, but not utilized.

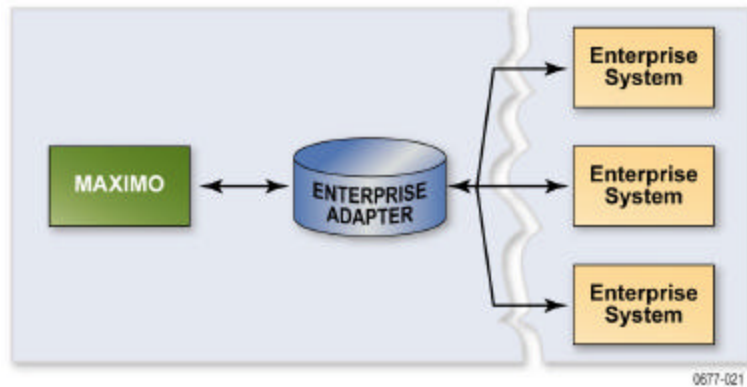
The Fleet Management Competency Group will establish a baseline set of KPIs to assess the current condition of vehicles within the Commonwealth. This establishes a point from which

improvements can be planned and measured. The Fleet Management Competency Group will use this knowledge as a basis to drive continuous business process improvement.

Integration Points With Other Processes

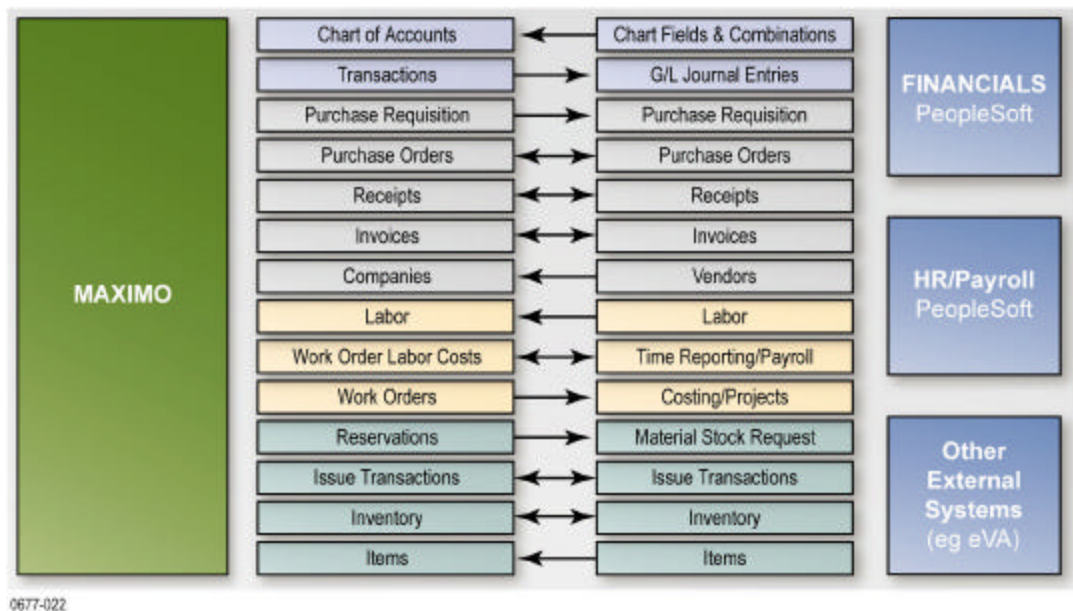
Once the Maximo system is implemented, it is possible to maximize electronic integration with other Commonwealth processes and systems. For Fleet Management this mainly consists of integration with the PeopleSoft ERP Financial / HR applications as well as the Commonwealth's eVA procurement system. The integration will be established through the use of the Maximo Enterprise Adapter (MEA) which establishes a common middleware layer for integration.

Figure 3-6: MAXIMO Enterprise Adapter



The adapter simplifies the integration through the use of a standard set of predefined transactions. However, if integration to a non-standard application is required, the MEA can be customized to support additional transactions. Figure 3-7 illustrates this concept.

Figure 3-7: MAXIMO Enterprise Adapter Touch Points



Organizational Impact Considerations

Based on the proposed approach and our understanding of the Commonwealth, the Commonwealth Partners do not anticipate any significant organizational changes.

Impact on Existing Policies and Procedures

The Commonwealth Partners anticipate that the Commonwealth's implementation of the FASTER system will precede the implementation of the Maximo Fleet Management system. Therefore we anticipate that the many of the policy and procedures modified or developed for FASTER will become the baseline on which the Fleet Management Competency Group can build.

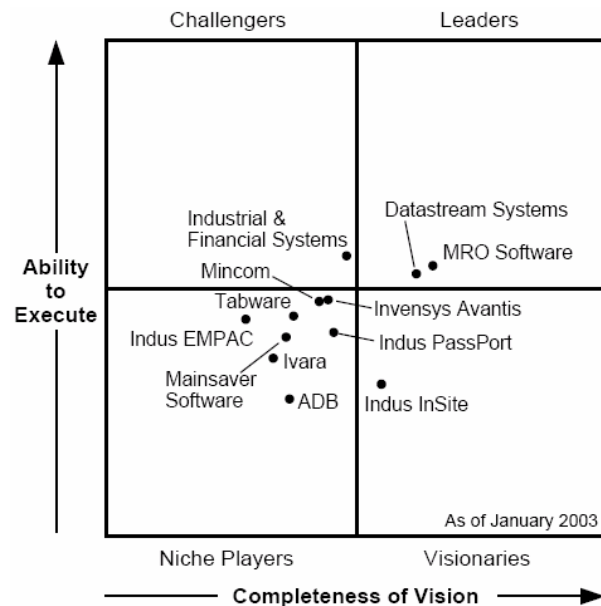
Other Risks

The most significant risk to the implementation of an enterprise-wide equipment management system is not the technology because the Commonwealth Partners are recommending a Best-of-Breed solution which supports all of the functionality that is currently identified. This solution has been ranked the leader in the upper right quadrant of the Gartner Enterprise Asset Management report for several years.

The Maximo system is developed and maintained by MRO Software Inc. See www.mro.com for additional product details.

Several of the significant risks to the implementation of an enterprise Fleet Management Competency Group are listed in Table 3-5.

Figure 3-8: The EAM/CMMS Best of Breed Magic Quadrant – 1Q03



Source: Gartner Research





















Table 3-5: Risk and Mitigation for Fleet Management

















Risk Item	Mitigation
<ul style="list-style-type: none"> Support and participation of the individual agencies. For most agencies in the Commonwealth Fleet Management is not a primary mission but a support function and as such does not always get the needed level of focus. 	<ul style="list-style-type: none"> Strong Organizational Change Management program highlights the benefits to the agencies.
<ul style="list-style-type: none"> Reliable, complete, and clean application data. Any application is nothing more than a tool to manipulate data and turn it into information and knowledge. 	<ul style="list-style-type: none"> Well executed data migration plan that loads data from all available sources and addresses data validation and cleanup.
<ul style="list-style-type: none"> Sound training program. Many times training is minimized and even seen as a one-time effort. 	<ul style="list-style-type: none"> Development of a comprehensive training program.
<ul style="list-style-type: none"> Enforcement The Center for Excellence will need the proper levels of executive support to enforce compliance. 	<ul style="list-style-type: none"> Documented and approved Center of Excellence Charter.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. The table describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-6: Proposed Solution for Fleet Management

As-Is	To-be	Strength or Weakness Description	Under Proposed Solution	Re-engineering / Re-solutioning Opportunity
		Equipment Management System (EMS)	Inventory and repair maintenance functionality to be captured in Maximo	Some reports will be enabled that cannot currently be generated, and Reporting will be simplified in general
		Appropriate Use	Policies and procedures are in place and can be enhanced for non-passenger vehicles	Compliance with enhanced policies and procedures can be tracked
		Centralized Procurement and Management (Fleet)	Existing initiatives (FASTER), as well as the Maximo implementation will leverage this strength	Interfaces will allow data to be shared
		Fuel Cards	Existing Fuel Cards will continue to be used	Fuel Card information can be leveraged by more defined policies and procedures
		Fleet Availability	Fleet availability will be maintained	Through more detailed tracking, opportunities may be found to decrease the fleet without degrading availability
		Maintenance Control Center	DGS will continue to maintain a maintenance control center	Possibilities to interface with this capability will be investigated
		Key Performance Indicators (KPIs)	Suggested, Industry standard KPIs are offered by Maximo	KPIs will be agreed upon and Maximo will be configured to display those KPIs
		Lifecycle Approach	Data will be captured to enable a lifecycle approach.	Policies will be developed that will leverage the implemented system to facilitate a lifecycle approach
		Tracking Personal Mileage Reimbursements	N/A	This will be evaluated for possible improvement during the evaluation and re-engineering of travel management process and systems.
		Commuting Fees	N/A	This will be evaluated for possible improvement during the evaluation and re-engineering of travel management process and

As-Is	To-be	Strength or Weakness Description	Under Proposed Solution	Re-engineering / Re-solutioning Opportunity
				systems
		Minimum mileage requirements	Data will be captured to indicate mileage	Reports will be generated to identify where minimum mileage requirements are not being met
		Oversight	Data will be captured enabling detailed review of purchasing requests	Data to support better decisions can be used to evaluate purchasing requests
		Scheduling	Preventive/Predictive maintenance information scheduling rules can be input	Scheduling can be automated
		Recalls	Recall information can be input into the system	Vehicles needing recall repairs may be automatically identified and scheduled
		Analysis	Allowing the capture of historic data will allow analysis of repair/replace	Triggers can be set to generate reports for analysis.
		Tracking	Enterprise labor/parts identification will allow consistent capture of information	This information can be leveraged across the enterprise
		Maintenance Tracking	Maintenance will be recorded and tracked in Maximo	Maintenance information can now be used to make better decisions
		State Police Oversight	Maintenance activities can now be captured centrally	Agency-wide data can be captured and used to identify areas for greater efficiency

The due diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-7 shows how our proposed solution for the fleet management process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-7: Process Improvements for Fleet Management

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Implement an automated preventative maintenance program	The Maximo system contains an extensive Preventative Maintenance module.
Improve control and oversight of maintenance schedules	All maintenance will be tracked and scheduled on work orders. Work order schedules can even be exported to Microsoft Project.
Improve the process for retiring and disposing of obsolete vehicles	Process improvement will be accomplished by adapting the Fleet Management Competency Group policies and procedures.
Facilitate the ability to capture detailed vehicle history	Detailed vehicle history for work orders, materials, fluids, fuel, mileage, etc. will be available.

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Productivity	
Eliminate redundant Fleet Management efforts	Resource productivity would increase through the use of a single integrated Fleet Management System decreasing the amount of duplicate or burdensome data entry and by increasing the availability of information.
Provide common integration to other enterprise systems such as PeopleSoft financials and eVA procurement systems	With the implementation of a common fleet management system standard integration will be established between financial and purchasing systems.
Develop and implement standard policies addressing fleet management, replacement, maintenance, assignments, and KPIs	Substantial efficiency improvements in Fleet Management can be achieved by adapting the Fleet Business Process Framework defined by the Fleet Management Competency Group.
Develop and implement system that assists with fleet planning and management, including budgeting	The new Maximo fleet management system will assist with planning through improving details of current vehicle state and condition along with capturing accurate operating costs.
Establish a reliable consistent vehicle database	Having a single modern fleet management system will provide reliable consistent data.
Service delivery	
Provide service call history	Detailed vehicle history for work orders, materials, fluids, fuel, mileage, etc. will be available.
Allow automated scheduling and tracking of preventative maintenance activities	The Maximo system contains an extensive Preventative Maintenance module. PM work orders can be exported into Microsoft Project.
Accountability	
Improve accountability for vehicle usage, and repair	Accountability for vehicles and vehicle repairs is improved through the tracking of asset ownership, vehicle status, work order history, usage history, and ability to determine a vehicle's total cost of ownership.
Develop and implement standard policies and procedures for all vehicle types	Standard policies and procedures will be achieved with adoption of the Fleet Management Competency Group
Facilitate the ability to track equipment installed on vehicles	With the Maximo system you can add additional vehicle attributes including serial numbers.
Costs	
It has been shown repeatedly that the total cost of ownership (TCO) for vehicle assets can be reduced through the use of a Fleet Management system.	Accountability for vehicles and vehicle repairs is improved through the tracking of asset ownership, vehicle status, work order history, usage history, and ability to determine a vehicle's total cost of ownership.
Increase ability to apply fully burdened costs to a Work Order (Overhead, labor, materials, etc.) and the individual vehicle	Cost for labor, materials, tools usage, consumables can all be tracked on a work order and the cost applied back to the asset (vehicle) on which the work was performed.
Develop the ability to capture true lifecycle costs of a vehicle	See above.
Improve tracking of vehicle maintenance spend	See above.

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Benefits	
Non-financial	<ul style="list-style-type: none"> ▪ Improve consistency of Fleet Management data, reporting, and KPIs. ▪ Reduce overall fleet levels through improved management and planning capabilities. ▪ Reduce overall fleet valuation through improved planning, maintenance, and disposal processes. ▪ Extend the useful life of vehicle through automated improved Preventative Maintenance programs. ▪ Eliminate manual logs and reports. ▪ Provide instant on-line view of fleet information including status, availability, and condition.
Financial	<p>During the due diligence phase, it became apparent that there are a large number of agencies that have Fleet Management needs that are not large enough to justify the implementation of a Fleet Management system like Maximo. The Commonwealth Partners suggest that there are other municipalities within the Commonwealth who would benefit from this type of application and would be interested in buying into a best-of-breed Maximo fleet solution, such as the one being implemented in the Commonwealth.</p>

The Commonwealth Partners are proposing a multi-faceted solution that supports and enhances current Commonwealth vehicle initiatives while solving many problems for agencies that will not be addressed by these initiatives. The adoption of the Fleet Management Competency Group will address policy and process improvements while implementing the Maximo system and will provide standard, integrated technologies to support the new business processes.

3.1.2 Facilities

The Commonwealth Partners approach for the redesign for the Commonwealth's Facilities Management processes would establish a Facilities Management Competency Group. The Group would implement a Commonwealth-wide Integrated Workplace Management System (previously know in the industry as a Computer Aided Facility Management (CAFM) system). The Commonwealth Partners are recommending that Tririga Facility Center 8i along with Tririga Project Management (PM) for managing both Facilities Management and new construction and renovation projects.

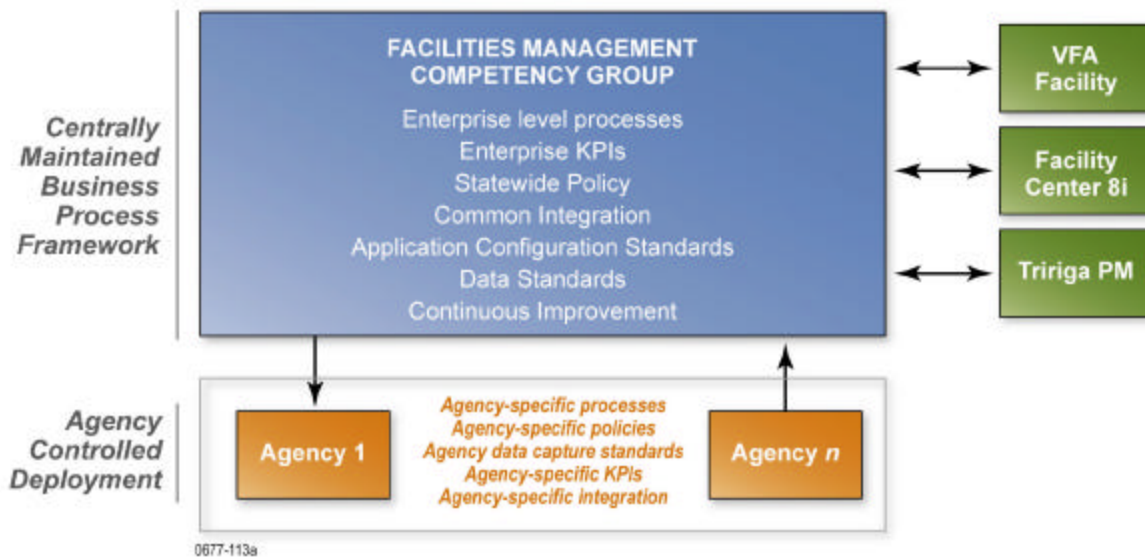
Figure 3-9: TRIRGA Facility Center 8i

Portfolio Management Portfolio Management Portfolio Planning Program Planning	Facilities Management Space Management Space Chargebacks Space Planning Graphics Management (CAD) Move, Add & Change (MACS)	Contract Administration Manage Contracts Manage Leases Track Critical Terms/Dates Manage Rents & Expenses Manage Vendors & Billing Manage Tenants & Billing eLease Abstracts	Operations Management Equipment Tracking Warranty Management Service Contracts Work Orders Preventative Maintenance Vendor Management	Service Management Service Level Agreements Service Requests Call Center
Project Management Project Management Budget & Cost Tracking Construction Management	Corporate Services Management Reservations Resource Finder (Locating)	Transaction Management Program Management Manage Service Providers RE Transaction Execution Scenario Planning Business Case	Inventory Management Stock Management Receiving Inventory Transfers	Security Management Key Management
Common Toolset Document Management Workflow Engine Notification Services Financial Management		Asset Management Asset Standardization Track Corporate Assets Chargebacks	Procurement Management Vendor Management Catalog Management Procurement	Mobile Workforce Mobile Work Orders Inspections Inventory

0677-076a

The Facilities Management Competency Group would be responsible for establishing Commonwealth-wide Facilities Management policies, data standards, reporting standards, and owning enterprise level processes. Over time all Commonwealth agencies will be migrated to the common application platform, using a common set of processes and a common set of configuration tables. By establishing this standardized environment, one common set of application interfaces can be developed. This will allow all the agencies using the Commonwealth's Facilities Management System to enjoy a fully integrated system without having to have each agency individually develop the integration. Another significant benefit to this approach is that a common set of data elements are captured with the Facilities Management database. This will allow management the opportunity to view Facilities Management information, for the first time, at an enterprise level. Agency information can now be rolled up into a variety of levels for analysis and use in executive decision-making. Furthermore, this approach makes the use of key performance indicators more meaningful at the agency level, when comparing groups of agencies, or when populating Commonwealth level performance dashboards.

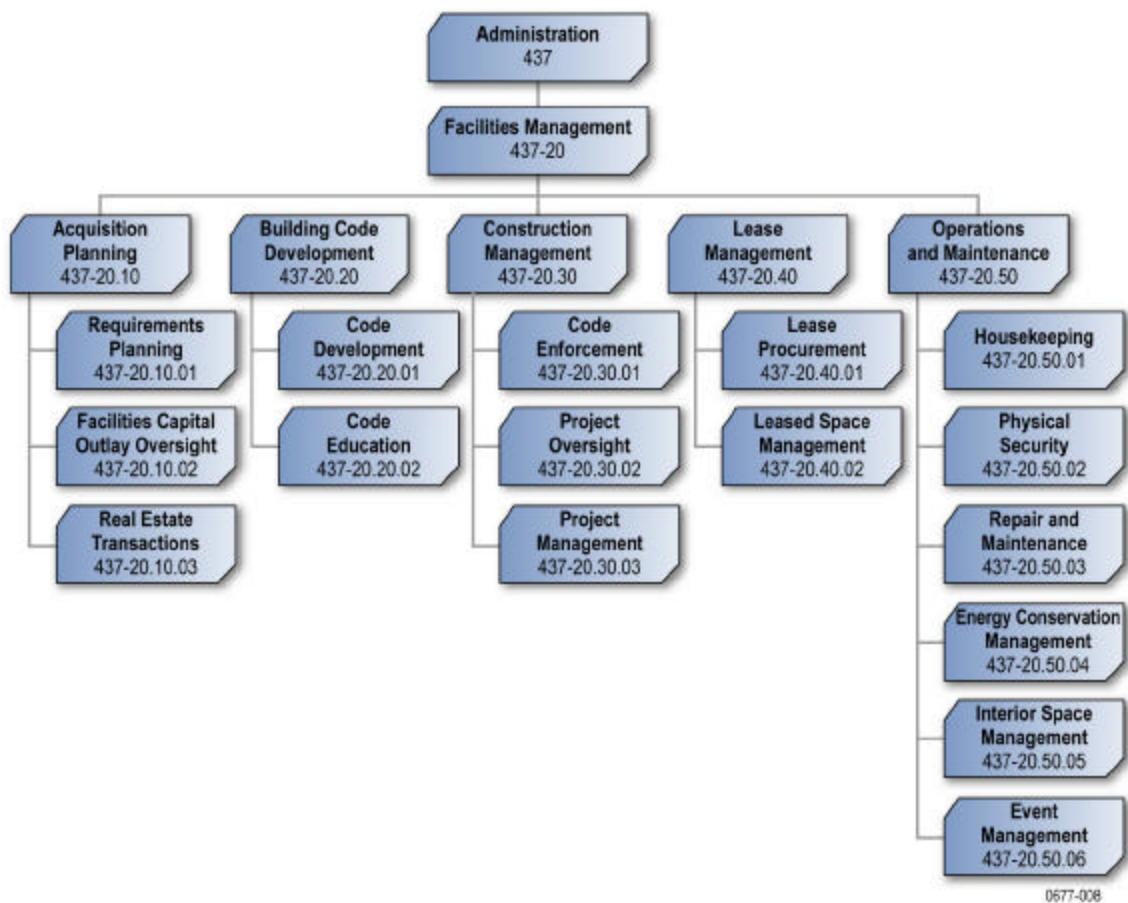
Figure 3-10: Facilities Management Competency Group



Each agency will be required to work within the Facilities Management Business Process framework. At the same time it is realized that each agency may have unique processes or integration needs. The establishment of the Facilities Management Competency Group does not limit, but encourages, agencies with unique needs to establish agency level processes and integration.

Process Flow Narrative

Figure 3-11: Facilities Management Decomposition Chart



Inputs and Outputs – Predecessors and Successors

Table 3-8: Process Characteristics for Facilities Management

Characteristic	Under Proposed Solution
Acquisition Planning	The process of acquiring the facilities assets that agencies will require in order to fulfill their mission
Inputs and predecessors	<ul style="list-style-type: none"> Need for additional space to house a business entity Complete information on projected construction activity
Outputs and successors	<ul style="list-style-type: none"> An approved acquisition plan with dates and project assignments Budgetary approvals
Process orientation	Decentralized
Process placement	In-sourced
Requirements Planning	The process of planning for future projects and property management for the Commonwealth agencies
Inputs and predecessors	<ul style="list-style-type: none"> A complete list of projects and schedules Proper Budget authorization approvals
Outputs and successors	<ul style="list-style-type: none"> Approved Requirements plan Notification for project awards
Process orientation	Decentralized

Characteristic	Under Proposed Solution
Process placement	In-sourced
Facilities Capital Outlay Oversight	The process of managing Commonwealth-owned real estate
Inputs and predecessors	<ul style="list-style-type: none"> Agency project planning activities Agency budget approvals
Outputs and successors	<ul style="list-style-type: none"> Capital approvals Commonwealth-wide capital plan
Process orientation	Decentralized
Process placement	In-sourced
Real Estate Transactions	The process of managing the buying and selling of real estate properties.
Inputs and predecessors	<ul style="list-style-type: none"> Requests and justification for real estate acquisitions Budget and cost justification for approval
Outputs and successors	<ul style="list-style-type: none"> Approval to Buy/Sell real estate Complete Commonwealth-wide real estate plan
Process orientation	Decentralized
Process placement	In-sourced
Building Code Development	Where building codes are developed and education is provided
Inputs and predecessors	<ul style="list-style-type: none"> Building code resource material and handbooks Construction project plans
Outputs and successors	<ul style="list-style-type: none"> Building code guideline Building code training documents
Process orientation	Decentralized
Process placement	In-sourced
Code Education	Documenting the building and structure codes and developing training material for education classes
Inputs and predecessors	<ul style="list-style-type: none"> Commonwealth-approved building code guidelines Commonwealth agency list of projects
Outputs and successors	<ul style="list-style-type: none"> Training plan Training documentation
Process orientation	Decentralized
Process placement	In-sourced
Construction Management	Where construction project oversight occurs and building codes are enforced
Inputs and predecessors T	<ul style="list-style-type: none"> Approved building code manual Complete list of current and future projects
Outputs and successors	<ul style="list-style-type: none"> Project construction compliance reports Building code enforcement
Process orientation	Decentralized
Process placement	In-sourced
Code Enforcement	The process of managing the building codes through the Commonwealth and enforcing the regulations
Inputs and predecessors	<ul style="list-style-type: none"> Approved building code manual Complete list of current and future projects
Outputs and successors	<ul style="list-style-type: none"> Project compliance reports Building code violations
Process orientation	Decentralized
Process placement	In-sourced

Characteristic	Under Proposed Solution
Project Oversight	The high level process of managing the Commonwealth-wide construction project plans and activities
Inputs and predecessors	<ul style="list-style-type: none"> Complete Commonwealth agency list Complete list of current and future projects
Outputs and successors	<ul style="list-style-type: none"> Commonwealth-wide communication and guidelines Project management process plan
Process orientation	Decentralized
Process placement	In-sourced
Project Management	The process of managing the different projects
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of current and future projects Approved Budget plans
Outputs and successors	<ul style="list-style-type: none"> Monthly project updates Project control activity plans
Process orientation	Decentralized
Process placement	In-sourced
Lease Management	The process of acquisition and utilization of leased space
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of current and potential leases Complete facility space availability reports
Outputs and successors	<ul style="list-style-type: none"> Plan for leasing additional space Budget and Financial reports
Process orientation	Decentralized
Process placement	In-sourced
Lease Procurement	The process of obtaining leases for the Commonwealth facilities
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of current and future lease plans Standard contract agreements
Outputs and successors	<ul style="list-style-type: none"> Approved leased space facilities Signed contracts
Process orientation	Decentralized
Process placement	In-sourced
Leased Space Management	The management of the leased space properties
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of current and future leases Potential lease customers
Outputs and successors	<ul style="list-style-type: none"> Approved leased facilities
Process orientation	Decentralized
Process placement	In-sourced
Operations & Maintenance	The management of occupying and maintaining the facilities.
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of facilities Personnel to maintain the facilities
Outputs and successors	<ul style="list-style-type: none"> Fully maintained facilities O&M Cost by Facility Report
Process orientation	Decentralized
Process placement	In-sourced
Housekeeping	The process and management of the services and maintenance of the Commonwealth properties
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of facilities Personnel to maintain the facilities

Characteristic	Under Proposed Solution
Outputs and successors	<ul style="list-style-type: none"> Fully maintained facilities Service contract with agencies
Process orientation	Decentralized
Process placement	In-sourced
Physical Security	The process of maintaining the security plans and activities for the facilities
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of agency facilities Commonwealth-wide security plan
Outputs and successors	<ul style="list-style-type: none"> Security reports Safe working environments
Process orientation	Decentralized
Process placement	In-sourced
Repair and Maintenance	The activity of maintaining the facilities
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of facilities and assets Contracted services
Outputs and successors	<ul style="list-style-type: none"> Fully maintained facilities Reliable facilities and assets
Process orientation	Decentralized
Process placement	In-sourced
Energy Conservation Management	The process of identifying and managing the energy conservation programs
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of facilities and assets Current utility costs
Outputs and successors	<ul style="list-style-type: none"> Energy conservation plan Reduced energy bills
Process orientation	Decentralized
Process placement	In-sourced
Interior Space Management	The process of managing the interior space
Inputs and predecessors	<ul style="list-style-type: none"> Complete list of facilities and assets Space management plan
Outputs and successors	<ul style="list-style-type: none"> Efficient space usage Reduced overhead cost
Process orientation	Decentralized
Process placement	In-sourced
Retire Facility	Evaluates the effectiveness of retrofitting the asset to extend its useful life or determines the method of disposal
Inputs and predecessors	<ul style="list-style-type: none"> A list of potential facilities to be disposed Disposal procedures
Outputs and successors	<ul style="list-style-type: none"> Reduced facility costs Cost recovery
Process orientation	Decentralized
Process placement	In-sourced

Process Owner

In order to maintain the highest level of standardization the Facilities Management Competency Group will be established. The Group will establish those processes which are deemed to be

enterprise level processes. Each individual agency will assign owners for agency specific sub-processes.

Resources

Resources will need to be identified to participate in the Facilities Management Competency Group. Other resources that support Facilities Management today will continue to do so once the new system is implemented.

Figure 3-12: Centralized Versus Decentralized Processes



Process Orientation

Portions of the Facilities Management business processes, those that are centralized today, will continue to be centralized, while most day-to-day processes will still be managed within each agency. The difference will be that there will be a common Facilities Management System with standards established by the Facilities Management Competency Group. Each agency will be responsible for the proper policy implementation and enterprise processes compliance. As is the case today, not all of the Facilities Management sub-processes are applicable to every agency.

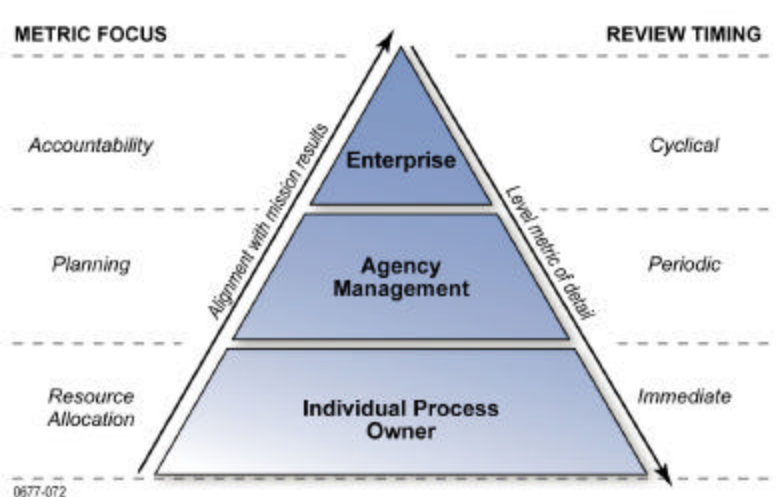
Process Placement

The Commonwealth Partners recommend that business process placement remain as currently defined within the Commonwealth.

Process Objectives and Key Performance Indicators (KPIs)

In order to implement enterprise level KPIs that are meaningful, the Commonwealth must have a common set of data elements supported by a common set of configuration code standards. The more standardized the data, the more useful the KPIs become. The Commonwealth Partners will work closely with the Commonwealth to establish meaningful enterprise level KPIs that will be populated and displayed through the executive

Figure 3-13: KPI Hierarchy



information dashboard tool currently used at the Commonwealth. This does not preclude the use of lower level KPIs. In fact we recommend that the use of KPIs be driven down in the organization to the lowest practical levels. Typically we would use the built-in KPI functions of Tririga to implement individual agency or supervisor level KPIs.

Table 3-9: KPI's for Facilities Management

Potential KPI	Objective
Percentage Space Utilized	Measures space utilization to determine if excess space is accumulating
Average Sustainment Cost	Control facility costs
Average Operational Condition	Measure of deferred maintenance
Percentage of Shared Workspaces	Measure against organization targets to improving utilization of floor space

Upon finalizing a standard set of KPIs, a benchmark for those measurements will be created against the current conditions within the Commonwealth. This establishes a point from which improvements can be planned and measured. The Facilities Management Competency Group will use this knowledge as a basis to drive continuous business process improvement.

Integration Points with Other Processes

Once the enterprise Facilities Management system is implemented it will be possible to maximize electronic integration with other Commonwealth processes and systems. For the Facilities Management system this mainly consists of integration with the PeopleSoft ERP Financial / HR applications, the Commonwealth's eVA procurement system, and the VFA Facility assessment system through the implementation of the VFA Asset Fusion software. The integration will be established through the use of a common middleware layer that simplifies the development of the interfaces and their ongoing maintenance.

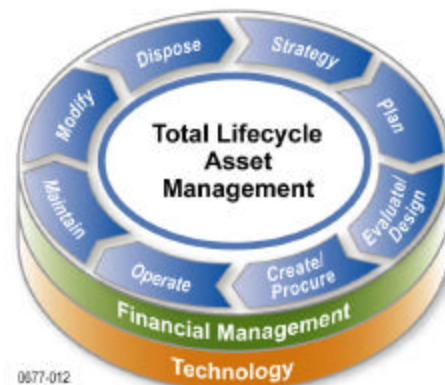
Organizational Impact Considerations

In order to implement the Facilities Management Competency Group concept it will be required to revisit Facilities Management responsibilities within the Commonwealth. New responsibilities that support the Facility Management Competency Group will be established. Establishing central control while allowing decentralized flexibility and execution will be key to the overall success of the program.

Impact on Existing Policies and Procedures

For Facilities Management the Commonwealth should review its current budget planning and agency mission plans so that that Facilities Management is viewed and operated as an enterprise application and consistent with an asset lifecycle management approach.

Figure 3-14: Asset Management Lifecycle



It is recommended that policies and minimum level procedures be instituted across the Commonwealth by the Facilities Management Competency Group while still allowing individual agencies the flexibility to define mission specific sub-processes.

Other Risks

The most significant risk to the implementation of an enterprise-wide Facilities Management system is not the technology, because the Commonwealth Partners are recommending a Best-of-Breed solution which supports all of the functionality that is currently identified. This solution has been ranked the leader in the upper right quadrant of the Gartner Integrated Workplace Management in 2004. See www.tririga.com for additional product details.

Several of the significant risks to the implementation of an enterprise Facilities Management Competency Group are listed in Table 3-10.

Figure 3-15: Gartner Integrated Workplace Management 2004 Quadrant Chart

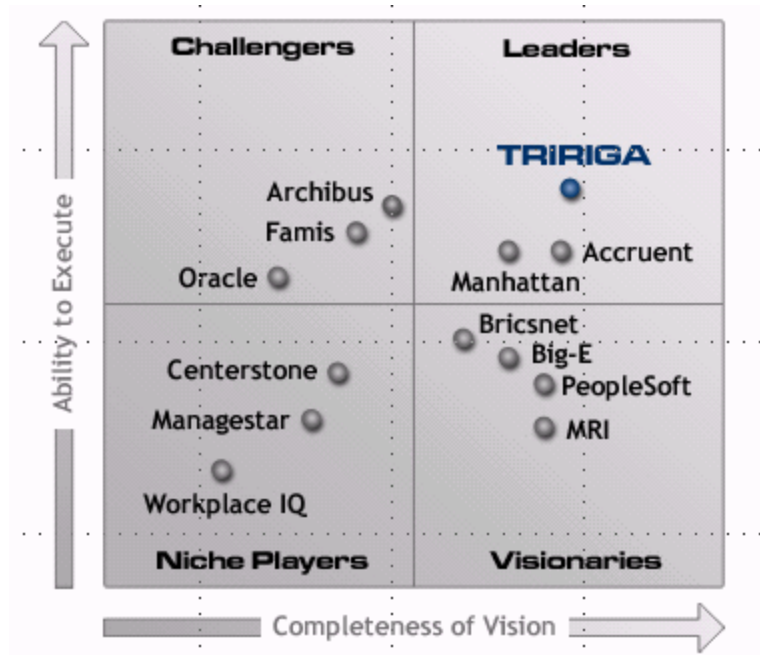


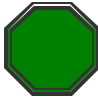
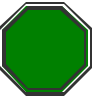
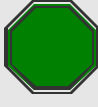
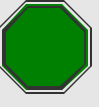
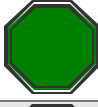
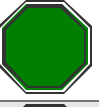
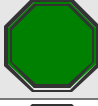
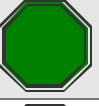
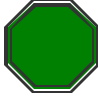
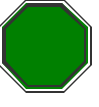
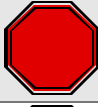
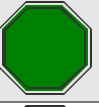
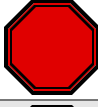
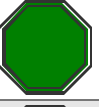
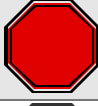
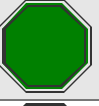
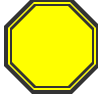
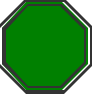
Table 3-10: Risks and Mitigation for Facilities Management



Risk Item	Mitigation
<ul style="list-style-type: none"> Support and participation of the individual agencies. For most agencies in the Commonwealth, facilities management is not a primary mission but a support function and as such does not always get the needed level of focus. 	<ul style="list-style-type: none"> Strong Organizational Change Management program highlights the benefits to the agencies.
<ul style="list-style-type: none"> Reliable, complete, and clean application data. Any application is nothing more than a tool to manipulate data and turn it into information and knowledge. 	<ul style="list-style-type: none"> Well executed data migration plan that loads data from all available sources and addresses data validation and cleanup.
<ul style="list-style-type: none"> Sound training program. Many times training is minimized and even seen as a one-time effort. 	<ul style="list-style-type: none"> Development of a comprehensive training program.
<ul style="list-style-type: none"> Enforcement The Center for Excellence will need the proper levels of executive support to enforce compliance. 	<ul style="list-style-type: none"> Documented and approved Center of Excellence Charter.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-11 describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-11: Proposed Solution for Facilities Management

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering / Re-solutioning Opportunity
		Comprehensive re-engineering of Facilities Management processes	Builds on this strength by providing accurate facilities management data quickly and easily	The Facilities Management Competency Group will strengthen and integrate the Commonwealth policies and procedures
		Consistent management processes	Builds on this strength by providing accurate facilities management data quickly and easily	The Facilities management Competency Group will strengthen and integrate the Commonwealth policies and procedures
		Consolidation of lease management	The proposed solution includes Real Estate and Lease management modules	Strengthen current processes to improve the accuracy and completeness of this data
		Housekeeping for Commonwealth-owned facilities	N/A	Improved ability to track issues
		Improving management efficiency	The proposed solution establishes one common Facilities Management system with a common database and common integration with other Commonwealth systems such as PeopleSoft	The Facilities Management Competency Group will strengthen and integrate Commonwealth policies and procedures
		Use of Automated Facilities Management system	See Above.	See Above.
		Use maintenance management	See Above.	See Above.
		Inconsistent data and reporting capabilities	See Above.	See Above.
		Construction project documentation requirements	The proposed solution includes a Project Management component designed to help owners of constructions projects	Improved ability to manage a portfolio of construction and renovation projects

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering / Re-solutioning Opportunity
		Duplicate Data	The proposed solution establishes one common facilities management system with a common database and common integration with other Commonwealth systems such as PeopleSoft.	Best practices dictate eliminating duplicate entry and capturing data as close to the source as possible.

The due diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-12 shows how our proposed solution for the facilities management process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-12: Process Improvements in Facilities Management

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Improved lease management through the use of automated event triggers.	The proposed solution includes managed leases in the contract administration module and workflow management
Comprehensive automated preventative maintenance programs.	The proposed solution includes preventative maintenance in the operations management module.
Improved capture of facility status and condition information.	The proposed solution will integrate with VFA Facility which is the system in which the Commonwealth stores this information.
Reduced vacancy rates by use of space planning tools	The proposed solution includes a space management tool.
Productivity	
Standard integration to financial systems.	The proposed solution establishes one common facilities management system with a common database and common integration with other Commonwealth systems such as PeopleSoft.
Common baseline policy and procedures.	The proposed Facilities Management Competency Group can develop Commonwealth policies and procedures to enhance Facilities Management.
Instant access to information from a central accurate database.	The proposed solution establishes one common Facilities Management system with a common database and common integration.
Service delivery	
Improved space management.	The proposed system provides a space planning in the Facility Management module.
Improved planning information.	See above.
Improved workplace through improvement of Facilities Management	Improving Facilities Management improves facility conditions and provides a better workplace.
Accountability	
Provide visibility of surplus floor space.	Implementing a common space planning system will provide visibility to floor space usage.
Common Facilities Management databases.	The proposed solution establishes one common Facilities Management system with a common database and common integration.

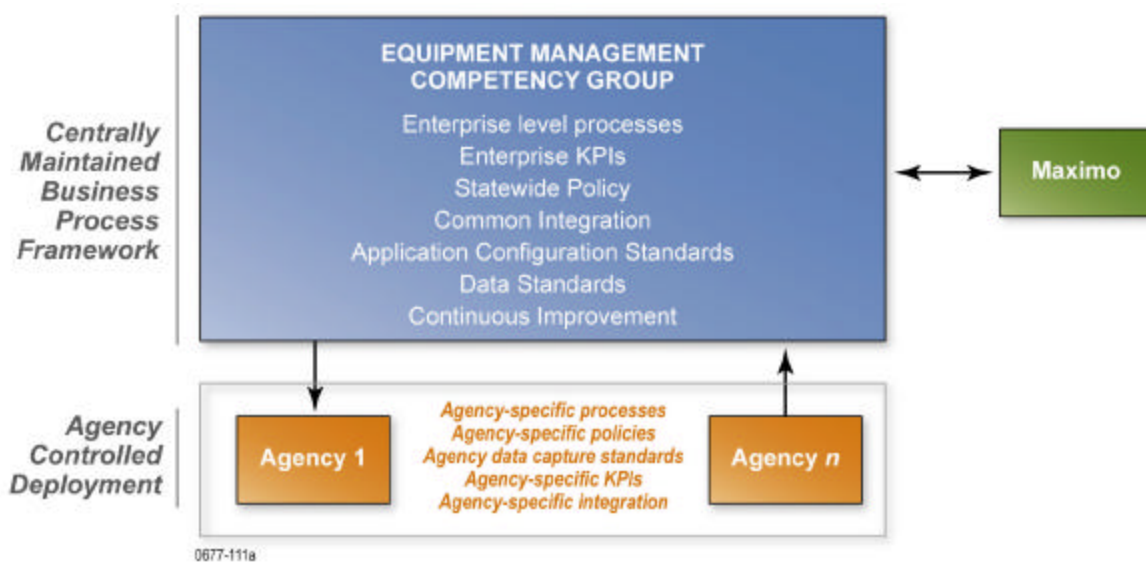
Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Assignment of facility accountability with clear lines of responsibility.	The proposed system tracks ownership and responsible parties.
Costs	
Ability to track deferred maintenance.	The proposed solution will integrate with VFA Facility which is the system in which the Commonwealth stores this information.
Provide accurate cost of maintenance and operations.	The proposed system can track detailed maintenance costs.
Benefits	
Non-financial	Improved working conditions. Extending the useful life of facilities.
Financial	During the Due Diligence phase it became apparent that there are a large number of agencies that have Facility Management needs that are not large enough to have justified a Facilities Management system. The Commonwealth Partners suggest that there are other municipalities within the Commonwealth who are in the same situation and would be interested in buying into a best-of-breed Facilities Management solution such as the one being implemented in the Commonwealth.

3.1.3 Equipment

The Commonwealth Partners approach for the re-design of the Commonwealth's Equipment Management processes is not to radically re-design it, but to standardize the effective processes and procedures that currently exist in the Commonwealth and to install a Commonwealth-wide application suite. The first step in the approach is to establish the Equipment Management Competency Group. The Group acts as an oversight body for Equipment Management across the entire Commonwealth and will:

- Identify, develop, and distribute enterprise level Equipment Management policies
- Identify, develop, and distribute enterprise level Equipment Management procedures
- Establish minimum data model requirements
- Establish enterprise level KPIs
- Assist individual agencies (as necessary) with developing agency-specific procedures specific to the mission of the agency
- Provide continuous improvements to inventory procedures and practices
- Monitor compliance with the Commonwealth's Equipment Management Business Process Framework

Figure 3-16: Equipment Management Competency Group



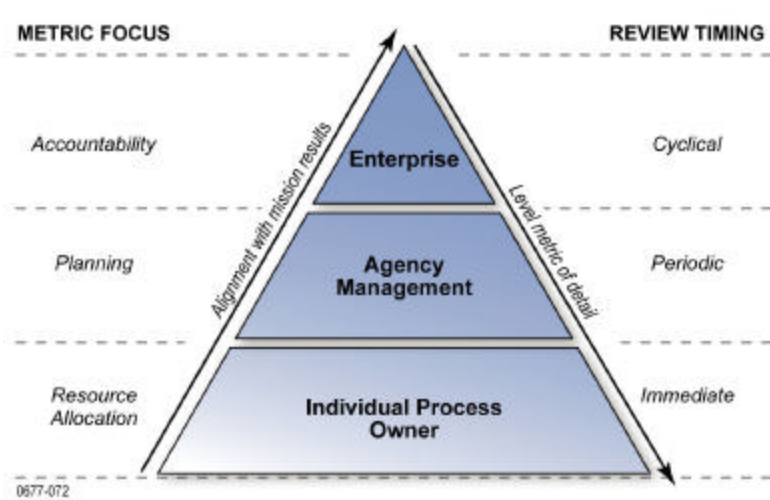
The next step is to install and configure an equipment asset management application that can support all the agencies in the Commonwealth. This will be accomplished by installing the Maximo Enterprise Asset Management (EAM) system. See www.mro.com for more information on Maximo.

Each agency will be migrated to the common application platform, using a common set of business processes, and a common set of configuration tables. By establishing this standardized environment, one common set of application interfaces can also be developed. This will allow all agencies using the Commonwealth's Enterprise Asset Management System to enjoy a fully integrated system without having to develop the integration within each agency. Significant benefit can be gained by establishing a common set of data elements that will be captured within the Maximo. This will provide Commonwealth management the opportunity to view Equipment Management data, for the first time, at an enterprise level. Agency information can now be rolled up into a variety of levels for analysis and use in executive decision making. Furthermore, this approach makes the use of key performance indicators (KPIs) more meaningful at the agency level, when comparing groups of agencies, or when populating Commonwealth level performance dashboards.

Figure 3-17: Maximo Application Components

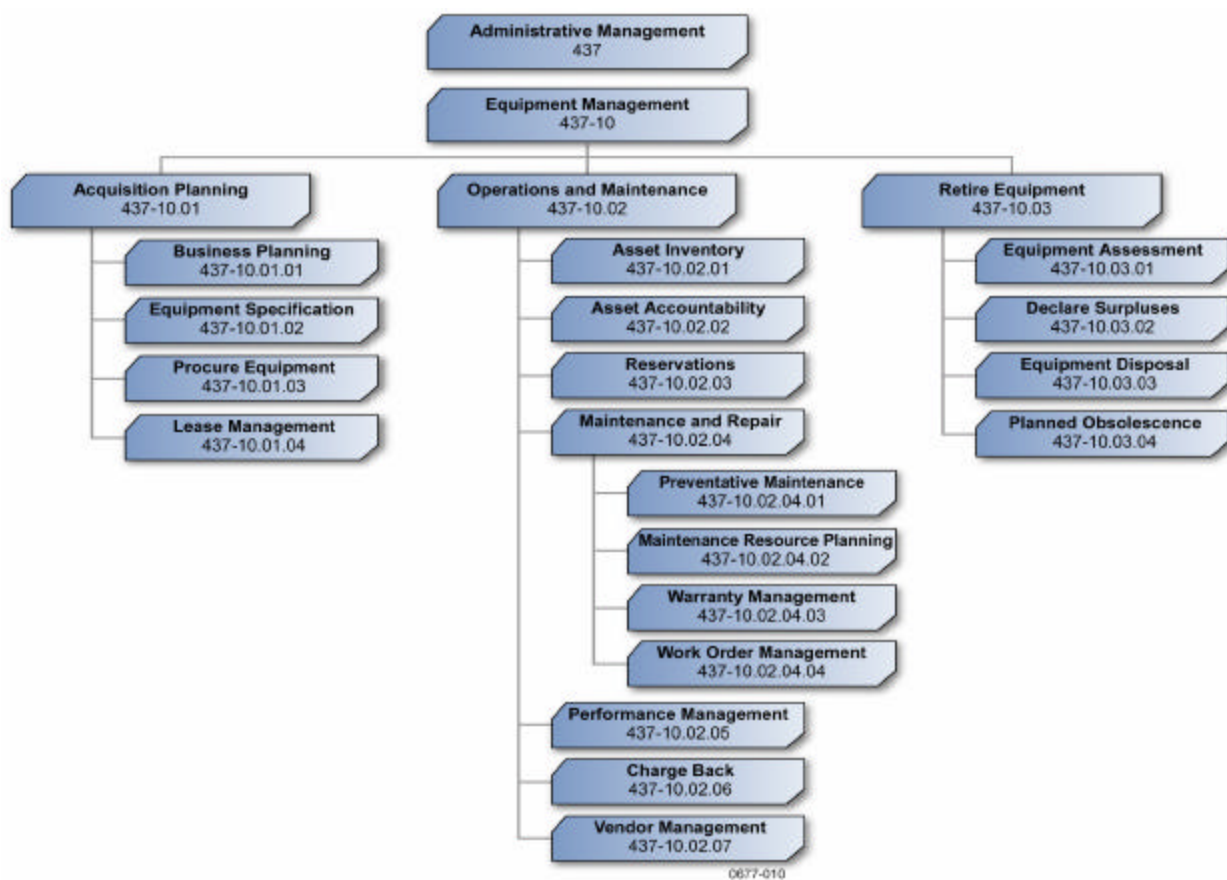


Figure 3-18: KPI Metric Hierarchy



Process Flow Narrative

Figure 3-19: Equipment Management Process Decomposition



Inputs and Outputs – Predecessors and Successors

Table 3-13: Process Characteristics for Equipment Management

Characteristic	Under Proposed Solution
Acquisition Planning	Acquire equipment based on agency needs.
Inputs and predecessors	<ul style="list-style-type: none"> Requirement for equipment Needs defined within the Agency Level Business Plan
Outputs and successors	<ul style="list-style-type: none"> List of desired equipment time-line to fulfill business need
Process orientation	Decentralized
Process placement	In-sourced
Business Planning	Determine equipment needed to meet the agencies current mission.
Inputs and predecessors	<ul style="list-style-type: none"> Program requirements to meet day-to-day operations Additional equipment for expanding services
Outputs and successors	<ul style="list-style-type: none"> Approved business plan Notification to aquisition process
Process orientation	Decentralized
Process placement	In-sourced
Equipment Specification	Develop detailed equipment specification needed for acquisition
Inputs and predecessors	<ul style="list-style-type: none"> Equipment need for particular operation Vendor List of options
Outputs and successors	<ul style="list-style-type: none"> Detailed list of Specifications to meet application requirement
Process orientation	Decentralized
Process placement	In-sourced
Procure Equipment	Agency approvals and procurement of identified equipment
Inputs and predecessors	<ul style="list-style-type: none"> Approved requirements plan Purchase requisition
Outputs and successors	<ul style="list-style-type: none"> Equipment to support daily operational needs Approved purchase order to obtain equipment
Process orientation	Decentralized
Process placement	In-sourced
Lease Management	Management of lease agreement for leased equipment
Inputs and predecessors	<ul style="list-style-type: none"> Equipment availability Business opportunity
Outputs and successors	<ul style="list-style-type: none"> Equipment utilization Profit / Cost / Capitalization
Process orientation	Decentralized
Process placement	In-sourced
Operations & Maintenance	Day-to-day operations and maintenance of the equipment
Inputs and predecessors	<ul style="list-style-type: none"> Work request for equipment repair Change request for equipment modification
Outputs and successors	<ul style="list-style-type: none"> Equipment kept in running condition Daily operation schedule is met
Process orientation	Decentralized
Process placement	In-sourced
Asset Inventory	A List of equipment with use capabilities
Inputs and predecessors	<ul style="list-style-type: none"> Equipment ownership records Purchase orders

Characteristic	Under Proposed Solution
Outputs and successors	<ul style="list-style-type: none"> Detailed list of ownership Unique capabilities list for specific equipment
Process orientation	Decentralized
Process placement	In-sourced
Asset Accountability	Record the use, location and ownership of each equipment asset for traceability.
Inputs and predecessors	<ul style="list-style-type: none"> Equipment name Owner name
Outputs and successors	<ul style="list-style-type: none"> Compiled list of equipment with use detail
Process orientation	Decentralized
Process placement	In-sourced
Reservations	Reserving equipment for use on a project
Inputs and predecessors	<ul style="list-style-type: none"> Specific need for equipment to perform task Work order with equipment requests
Outputs and successors	<ul style="list-style-type: none"> Equipment performed task Work order cost and usage captured
Process orientation	Decentralized
Process placement	In-sourced
Maintenance & Repair	Scheduling and performing a repair on equipment
Inputs and predecessors	<ul style="list-style-type: none"> Work plan detail to perform tasks on equipment Equipment availability
Outputs and successors	<ul style="list-style-type: none"> Equipment is kept operational Detailed work order with cost of labor and materials
Process orientation	Decentralized
Process placement	In-sourced
Performance Management	Manage the performance of the equipment.
Inputs and predecessors	<ul style="list-style-type: none"> Management request for availability Monthly Measurements
Outputs and successors	<ul style="list-style-type: none"> KPIs Action plan for repair
Process orientation	Decentralized
Process placement	In-sourced
Charge Back	Managing cost recovery for work performed.
Inputs and predecessors	<ul style="list-style-type: none"> Work order claimed usage
Outputs and successors	<ul style="list-style-type: none"> Charge summary record
Process orientation	Decentralized
Process placement	In-sourced
Vendor Management	Managing the Vendor agreements such as costs and delivery schedules.
Inputs and predecessors	<ul style="list-style-type: none"> Request to do business with a vendor Need to purchase equipment
Outputs and successors	<ul style="list-style-type: none"> Vendor agreements Vendor performance
Process orientation	Decentralized
Process placement	In-sourced

Characteristic	Under Proposed Solution
Retire Equipment	Remove equipment from service and salvage usable parts.
Inputs and predecessors	<ul style="list-style-type: none"> Work plan detail to perform tasks on equipment Equipment availability
Outputs and successors	<ul style="list-style-type: none"> Retired equipment Reduced overall equipment maintenance costs
Process orientation	Decentralized
Process placement	In-sourced
Equipment Assessment	Assess the health of the equipment for maintaining or retiring.
Inputs and predecessors	<ul style="list-style-type: none"> Request for equipment status Complete list of equipment
Outputs and successors	<ul style="list-style-type: none"> Updated assessment Equipment valuation reports
Process orientation	Decentralized
Process placement	In-sourced
Declare Surpluses	Identify equipment to be surplus
Inputs and predecessors	<ul style="list-style-type: none"> Notification of usage activity Condition list of equipment
Outputs and successors	<ul style="list-style-type: none"> List of surplus equipment
Process orientation	Decentralized
Process placement	In-sourced
Equipment Disposal	Dispose of the Equipment
Inputs and predecessors	<ul style="list-style-type: none"> Surplus equipment list
Outputs and successors	<ul style="list-style-type: none"> Transfer of equipment to DGS Surplus & Disposal
Process orientation	Decentralized
Process placement	In-sourced
Planned Obsolescence	Retiring of old equipment due to age or mileage limits.
Inputs and predecessors	<ul style="list-style-type: none"> Equipment specifications Commonwealth Policy
Outputs and successors	<ul style="list-style-type: none"> Update to equipment record Replacement plan
Process orientation	Decentralized
Process placement	In-sourced

Process Owner

In order to maintain the highest level of standardization the Equipment Management Competency Group will be established. The Group will establish those processes which are deemed to be enterprise level processes. Each individual agency will assign owners for agency specific sub-processes.

Resources

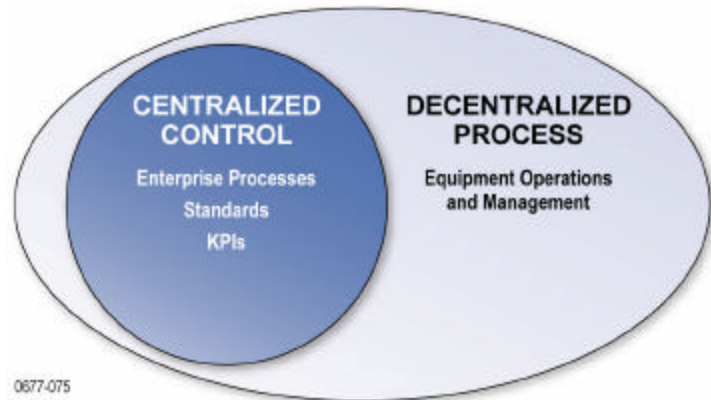
Resources will need to be identified to participate within the Equipment Management Competency Group. Resources that support Equipment Management today will continue to do so once the new system is implemented. The Commonwealth Partners believe that the total FTE

resources required to support Equipment Management will decrease over time as additional agencies adopt the new processes and supporting technology.

Process Orientation (Centralized, Decentralized)

The Equipment Management processes will use a decentralized process orientation in that each agency can define the detailed processes that are needed to support its operations. However, these processes must conform to and support the Equipment Business Process Framework. Each agency will be responsible for the proper policy implementation and business process compliance. As is the case today, not all of the Equipment Management sub-processes are applicable to every agency or equipment class.

Figure 3-20: Equipment Management Process Orientation



Process Placement (in-Source, Outsource, co-Source)

The Commonwealth Partners recommend that Equipment Management remain an in-source process.

Process Objectives and Key Performance Indicators (KPIs)

In order to implement enterprise level KPIs that are meaningful, the Commonwealth must have a common set of data elements supported by a common set of configuration code standards. The more standardized the data, the more useful the KPIs become. The Commonwealth Partners will work closely with the Commonwealth to establish meaningful enterprise level KPIs that will be populated and displayed through the executive information dashboard tool currently in use by the Commonwealth. This does not preclude the use of lower level KPIs. In fact we recommend that the use of KPIs be driven down in the organization to the lowest practical levels. Typically we would use the built-in KPI functions of Maximo to implement individual agency or supervisor level KPIs.

Table 3-14: KPIs for Equipment Management

Potential KPI	Objective
▪ Mean time between failures	▪ Measures the effectiveness of equipment reliability.
▪ Percent Utilized	▪ Measures equipment utilization for management reporting.
▪ Availability	▪ Measures percentage operational readiness.
▪ Percentage of Surplus	▪ Measures percentage of equipment assets that are available, but not utilized.

Upon finalizing a standard set of KPIs, benchmarks for those measurements will be created against the current conditions within the Commonwealth. This establishes a point from which improvements can be planned and measured. The Equipment Management Competency Group will use this knowledge as a basis to drive continuous business process improvement.

Integration Points With Other Processes

Once Maximo is implemented it is possible to maximize electronic integration with other Commonwealth processes and systems. For Equipment Management this mainly consists of integration with the PeopleSoft ERP Financial / HR applications as well as the Commonwealth's eVA procurement system. The integration will be established through the use of the Maximo Enterprise Adapter which establishes a common middleware layer for integration.

The adapter simplifies the integration through the use of a standard set of predefined transactions. However, if integration to a non-standard application is required, the MEA can be customized to support additional transactions. The chart below illustrates this concept.

Figure 3-21: MAXIMO Enterprise Adapter

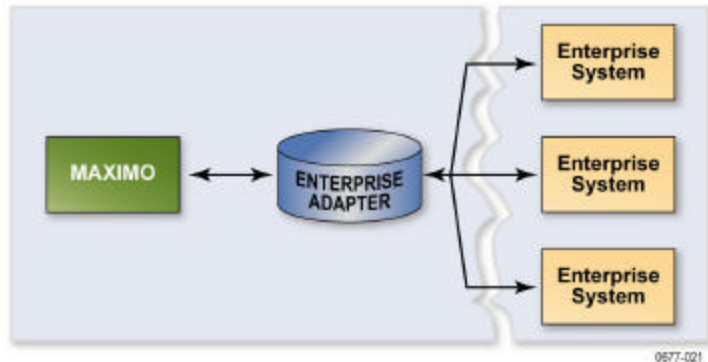
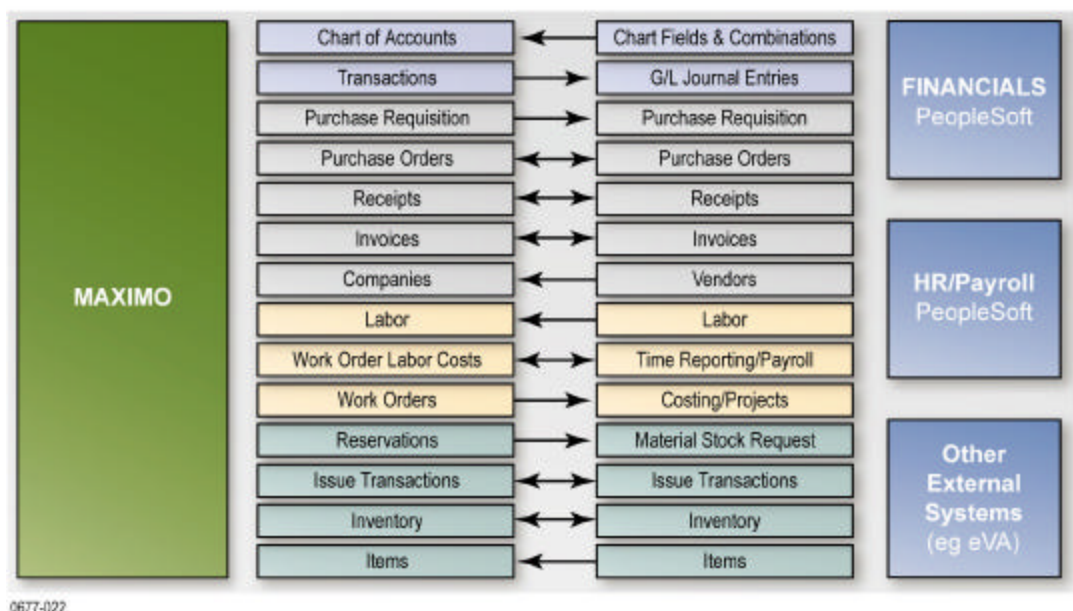


Figure 3-22: MAXIMO Enterprise Adapter Touchpoints



Organizational Impact Considerations

Based on the proposed approach and our understanding of the Commonwealth, the Commonwealth Partners do not anticipate any significant organizational changes. In order to implement the Equipment Management Competency Group concept, it will be required to

establish a common set of Equipment Management responsibilities within the Commonwealth. New responsibilities that support central control while allowing decentralized flexibility and execution will be paramount to overall success of the program.

Impact on Existing Policies and Procedures

For Equipment Management, the Commonwealth Partners should review with the agencies their current budget planning and agency mission plans so that Equipment Management is viewed and operated as an enterprise application, consistent with a lifecycle management approach.

It is recommended that policies and minimum level procedures be instituted across the Commonwealth while still allowing individual agencies the flexibility to define mission-specific sub-processes.

Other Risks

The most significant risk to the implementation of an enterprise wide equipment management system is not the technology. The Commonwealth Partners have chosen a Best-of-Breed solution which supports all of the functionality that is currently identified. This solution has been ranked the leader in the upper right quadrant of the Gartner Enterprise Asset Management report for several years.

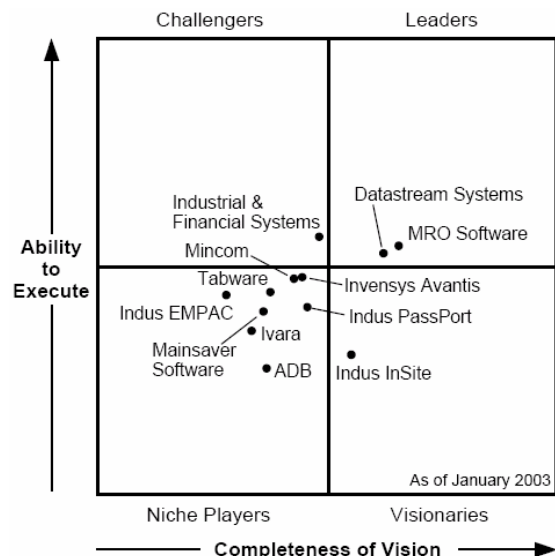
The Maximo system is developed and maintained by MRO Software Inc. See www.mro.com for additional product details.

Several of the significant risks to the implementation of an enterprise Equipment Competency Group are listed below.

Figure 3-23: Asset Management Lifecycle



Figure 3-24: The EAM/CMMS Best of Breed Magic Quadrant – 1Q03



Source: Gartner Research

Table 3-15: Risks and Mitigation for Equipment Management















Risk Item	Mitigation
<ul style="list-style-type: none"> Support and participation of the individual agencies. For most agencies in the Commonwealth Equipment Management is not a primary mission but a support function and as such does not always get the needed level of focus. 	<ul style="list-style-type: none"> Strong Organizational Change Management program highlights the benefits to the agencies.
<ul style="list-style-type: none"> Reliable, complete, and clean application data. Any application is nothing more than a tool to manipulate data and turn it into information and knowledge. 	<ul style="list-style-type: none"> Well executed data migration plan that loads data from all available sources and addresses data validation and cleanup.



















Risk Item	Mitigation
<ul style="list-style-type: none"> Sound training program. Many times training is minimized and even seen as a one-time effort. 	<ul style="list-style-type: none"> Development of a comprehensive training program.
<ul style="list-style-type: none"> Enforcement The Center for Excellence will need the proper levels of executive support to enforce compliance. 	<ul style="list-style-type: none"> Documented and approved Center of Excellence Charter.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-16 describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-16: Proposed Solution for Equipment Management

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering / Re-solutioning Opportunity
		Equipment Tracking	The proposed solution establishes one common Equipment Management system with a common database and common integration with other Commonwealth systems such as PeopleSoft.	The proposed Equipment Management Competency Group can develop Commonwealth policies and procedures to enhance Equipment Management.
		Equipment location tracking	The proposed system includes the ability to track responsible parties and location of equipment.	This is a best practice that will be instituted through policies and procedures.
		Warranty tracking	The proposed system includes a warranty tracking system including serialized parts tracking.	This is a best practice that will be instituted through policies and procedures.
		Work Order Policies	The proposed system includes a work order management system.	This is a best practice that will be instituted through policies and procedures.
		Equipment Identification	The proposed system supports multiple methods for identifying equipment and its location.	Process for capturing equipment identification will be established.
		Equipment Accountability	The proposed system includes the ability to track responsible parties and location of equipment.	This is a best practice that will be instituted through policies and procedures.
		Lifecycle approach to equipment management	The proposed system can capture information necessary to implement a lifecycle approach.	This is a best practice that will be instituted through policies and procedures.

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering / Re-solutioning Opportunity
		Standard replace-repair policies	The proposed solution addresses this item by capturing information such as purchase costs and repair history as well as provides an integrated workflow system that can automate the decision process.	This is a best practice that will be instituted through policies and procedures.
		Maintenance management	Enhanced capability to track and monitor equipment repairs.	This is a best practice that will be instituted through policies and procedures.
		Equipment scheduling	The proposed system can assist with scheduling of equipment.	Equipment scheduling needs will be evaluated by agency.
		Use of tracking technologies	The proposed system includes the ability to track responsible parties and location of equipment.	This is a best practice that will be instituted through policies and procedures.
		Use of an automated equipment management system	The proposed solution establishes one common equipment management system with a common database and common integration with other Commonwealth systems such as PeopleSoft.	The proposed Equipment Management Competency Group can develop Commonwealth policies and procedures to enhance equipment management.
		Redundant data entry	See Above.	Best practices dictates eliminating duplicate entry and capturing data as close to the source as possible.
		Equipment surplus and disposal	Adapting the Equipment Business Process Framework and implementing a common equipment management system will achieve this objective.	There is a clear need to integrate equipment process with Surplus and Disposal practices.
		Warranty information consistently recorded and tracked.	The proposed system includes a warranty tracking system including serialized parts tracking.	This is a best practice that will be instituted through policies and procedures.
		Inconsistent data and reporting capabilities	The proposed system would have a common database with built-in inquiry and reporting capabilities.	The Equipment Management Competency Group can establish standards for reporting.

The due diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-17 shows how our proposed solution for the equipment management process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-17: Process Improvements for Equipment Management

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Establish a single Commonwealth-wide Equipment Management System which includes a warranty tracking module.	The proposed solution establishes one common equipment management system which includes a warranty tracking functionality.
Take advantage of volume vendor maintenance and repair agreements.	The proposed solution would support using volume vendors by have an on-line integration with eVA.
Develop and implement an easy method for requesting equipment maintenance.	The proposed solution has an on-line Work Request function that all users can access.
Implement a predictive maintenance program	The proposed solution supports both preventative and predictive maintenance.
Improve the process for retiring and disposing of outdated equipment	The proposed solution can assist by identifying equipment that achieved preset parameters such as age or usage. This can be used for both planning and replacement.
Provide the capability for expanded use of Bar Code (or other) technology for equipment tagging and to reduce inventory effort	The proposed system supports the use of bar code tracking technologies.
Productivity	
Resource productivity would increase through the use of a single integrated Equipment Management System decreasing the amount of duplicate or burdensome data entry and by increasing the availability of information.	The proposed solution establishes one common equipment management system with a common database and common integration with other Commonwealth systems such as PeopleSoft.
Simplify process for declaring equipment surpluses and provide on-line visibility to surplus equipment within agencies.	Adapting the Equipment Business Process Framework and implementing a common Equipment Management system will achieve this objective.
Eliminate redundant Equipment Management efforts.	Adapting the Equipment Business Process Framework and implementing a common equipment management system will achieve this objective.
Integration to FACCS.	The proposed solution establishes one common equipment management system with a common database and common integration with other Commonwealth systems such as PeopleSoft.
Develop and implement standard policies addressing equipment management, equipment replacement, maintenance, internal controls, risk management, etc.	Adapting the Equipment Business Process Framework and implementing a common equipment management system will achieve this objective.
Develop and implement system that assists with equipment planning and management, including budgeting.	Adapting the Equipment Business Process Framework and implementing a common Equipment Management system will achieve this objective by providing accurate inputs to these processes such as actual equipment costs.
Integrate Equipment Management system with procurement processes to increase the efficiency of identifying assets for capitalization and tracking.	The proposed solution establishes one common equipment management system with a common database and common integration with other Commonwealth systems such as eVA.
Service delivery	
Improved Service.	Equipment Management functions support the delivery of services to the Commonwealth. With increased equipment availability through more efficient equipment management, service delivery improves.

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Provide service call history.	The proposed system provides a full equipment history including service calls.
Offer the ability to determine benefit of repair versus replacement of equipment.	The proposed solution addresses this item by capturing information such as purchase costs and repair history as well as provides an integrated workflow system that can automate the decision process.
Allow automated scheduling and tracking of preventative maintenance activities.	The proposed system provides for the creation and scheduling of Preventative work orders.
Enhance usage of equipment replacement planning, which can also be used as input into agency budget planning.	Adapting the Equipment Business Process Framework and implementing a common equipment management system will achieve this objective by providing accurate inputs to these processes such as actual equipment costs.
Accountability	
Improve processes for establishing and maintaining responsible party and equipment location (relocation) information.	Accountability of assets is improved through the tracking of asset ownership, asset status, work order history, usage history, and ability to determine an asset's total cost of ownership.
Costs	
It has been shown repeatedly that the total cost of ownership (TCO) for equipment assets can be reduced through the use of an Enterprise Equipment Management system.	Accountability for equipment and equipment repairs is improved through the tracking of asset ownership, equipment status, work order history, usage history, and ability to determine equipment total cost of ownership.
Increase ability to apply fully burdened costs to a Work Order (Overhead, labor, materials, etc)	Cost for labor, materials, tools usage, consumables can all be tracked on a work order and the cost applied back to the asset (equipment) on which the work was performed.
Develop the ability to capture true lifecycle costs of an asset.	See above.
Benefits	
Non-financial	<ul style="list-style-type: none"> ■ Improve consistency of Equipment Management data, reporting, and KPIs. ■ Reduce overall equipment levels through improved management and planning capabilities. ■ Reduce overall equipment valuation through improved planning, maintenance, and disposal processes. ■ Extend the useful life of equipment through automated Preventative Maintenance programs. ■ Elimination of manual logs and reports. ■ Instant online view of equipment information. ■ Accurate inventory of equipment including condition, status, and availability.
Financial	During the due diligence phase it became apparent that there are a large number of agencies that have Equipment Management needs that are large enough to justify the implementation of an Equipment Management system. The Commonwealth Partners suggest that there are other municipalities within the Commonwealth who would benefit from this type of application and would be interested in buying into a best-of-breed Equipment Management solution such as the one being implemented in the Commonwealth.

3.1.4 Travel

This section describes how the Commonwealth Partners' proposed end state vision affects the travel process. The description covers topics ranging from how the process flow will change to the risks and organizational impacts that may result. The section concludes with a chart that presents the strengths and weaknesses of the As-Is environment and indicates how the To-Be environment addresses them.

We believe that the travel process offers opportunities for improvement through re-engineering; however, the anticipated benefits are primarily non-financial. Based on the due diligence data collection, appreciable cost savings and financial benefits are not projected and do not warrant re-solutioning for the travel process. We do, however, offer a recommended approach to re-engineering for the Commonwealth to undertake independently.

Process Narrative

The due diligence survey related to travel did not highlight a large volume of travel at the Commonwealth. Determining the volume is a first step in proposing an updated solution.

The Council on Virginia's Future indicates a transition phase that needs to occur in Virginia. This phase requires that the Commonwealth change into a continuously improving organization. Part of our solution includes the creation of a Center of Excellence (COE). The mission for the COE includes the identification of process improvements throughout the Commonwealth. Travel is included among the processes in scope. Once opportunities are identified and prioritized, the COE would then identify initiatives to improve the process. Finally the COE would establish metrics to validate that the process sustains the improvements and makes adjustments as required.

Since many employees at the Commonwealth use the travel process, it is an ideal candidate for improvement via the COE concept and could be one of the first processes to be addressed by the COE. The actual volume of travelers and transactions related to this process can be identified, in order to identify an appropriate technology solution if required, and if cost justification is uncovered.

The inputs and predecessors and outputs to the travel process will not change as part of the improvement efforts. The process itself will change either through augmentation of defined steps or elimination of some process steps.

Table 3-18: Process Characteristics for Travel

Characteristic	Under proposed Solution
Inputs and predecessors	Approval to travel for the Commonwealth of Virginia
Outputs and successors	Travel arrangements are made and the travel is completed. Once completed, paperwork is generated by the employee to get reimbursed.
Process owner	The process owner is the individual and department that the individual is traveling on behalf of.

Characteristic	Under proposed Solution
Resources	Employees throughout the Commonwealth participate in one or more of the travel processes.
Process orientation	Centralized and decentralized for payment and disbursement.
Process placement	In-sourced

The process owner remains the same, the traveler/employee and the department that the employee is traveling for.

Process Objectives and Key Performance Indicators (KPIs)

The key process objectives of the travel process are:

- 1) Ease of procuring the travel services
- 2) Travel costs should be minimized for the traveler and for the Commonwealth
- 3) Prompt reimbursement to the traveler.

Table 3-19 shows the key performance indicators for the travel process.

Table 3-19: KPI's for Travel

Measure	Definition	Goal	Comments
Average cost for the following: Airfare, lodging, meals	Should reflect the Commonwealth's travel policies and procedures	The goal should be to identify a base set of numbers for each item identified and then reduce the costs over time.	Commonwealth currently does not have agreements in place for preferred hotel/motel vendors.
Standardize the per diem rates available for travel – keep it consistent with what is available in the market	There should be one per diem rate which is used for all travel	Update the per diem rate policy on a scheduled basis, for example once a year to validate applicability to the market rates.	The per diem rates are not always in line with the Fed. Gov. rates or other established rates and in some cases are too low, this creates a sub-travel process where the traveler must get additional approvals to go above the travel per diems.
Establish a central travel department to secure state discounts for travel	This group should negotiate travel discounts for hotels in addition to airfare.	Establish and publish negotiated travel discounts.	Airfare is currently negotiated at the state level.

Integration Points

The integration points for this process will not change. Over time the travel office will be able to create metrics around the volume of travel at the Commonwealth level. Once these metrics have been identified, the COE should consider if a software package or other point solution for travel is warranted.

Organizational Impact Considerations

Re-engineering the travel process should have minimal organizational impact. Once the process is re-engineered, appropriate training documentation should be created for those employees involved with the travel process.

Impact on Existing Policies and Procedures

The COE should evaluate and update the existing policies and procedures and update according to the recommendations made to the travel process.

Other Risks

The Commonwealth Partners have identified the following risks associated with the implementation of the proposed solution for the travel process.


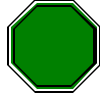

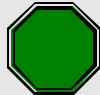
Table 3-20: Risks and Mitigation for Travel


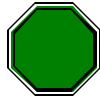
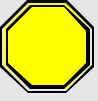
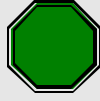

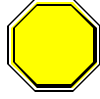
Risk	Mitigation
The Commonwealth is paying too much in lodging costs.	Establish Commonwealth-wide lodging contracts with key hotel and motel chains. Communicate out to the agencies. Measure progress and take next steps as required.
Agencies will resist making procedural changes to support the travel process as recommended by the COE	Provide training on travel procedures. Measure actual travel transactions. Evaluate next steps if required. This should be accomplished via the COE.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section compares and contrasts the relative strengths and weaknesses of the To-Be environment to those described in the As-Is process environment. The Green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-21 describes how the proposed solution either addresses a weakness, or builds upon a strength in the Commonwealth's accounting process. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-21: Proposed Solution in the Commonwealth Accounting Process

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Travel policies. Travel policies are clearly documented and disseminated.	Continue to document travel policies.	Evaluate policies on a scheduled basis to confirm that policies are still valid.
		Prompt reimbursements.	Continue to provide prompt reimbursements.	Travel department should create metrics and measure against on a scheduled basis to confirm that reimbursements continue to be promptly made.

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		No enterprise-wide hotel contracts.	Establish a travel department to negotiate enterprise-wide hotel and other travel related contracts.	Travel department should create metrics and measures against them on a scheduled basis to confirm that enterprise negotiated hotels are being used at the negotiated rate.
		Too many different per diem rates.	Travel department should evaluate and standardize the travel per diem rates.	Standardize the per diem rates and evaluate periodically on economic conditions.
		Lack of automated systems.	Travel department should gather metrics on travel volume and build a business case to see if an automated system is warranted.	Once a business case is created for the travel process, distribute/publish findings and establish timeline for next review.

The due diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. The following table shows how our proposed solution for the travel process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-22: Process Improvements for Travel

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Establish centrally managed contracts for lodging.	The efficiency to be gained from the Commonwealth Partners solution is that less time will be spent negotiating lodging rates on a case by case basis.
Productivity	
Travel process first focus on non-technology related improvements.	The COE will be able to identify the current process and over time make the process more efficient and productive. This will require continuous measurement and evaluation of overall process.
Service Delivery	
Establish a central travel department	This department would be responsible for travel related Purchase Orders and Contracts. This process would become easier for the end user since they could select from approved vendors rather than negotiating rates with each vendor.
Accountability	
Travel should be monitored as part of the budget process	Travel items airfare, lodging, per diems etc. should have separate object codes set up in the chart of accounts. Budgeting should be completed at the appropriate object code level and each department should be held accountable for that budget.
Costs	
Reduce costs as part of an expanded list of travel related contracts	The expanded list of available travel related contracts should allow the Commonwealth to first collect the data and then negotiate better contracts in the future resulting in an overall reduction of travel related costs.

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Benefits – Financial	
Best Practice – Saves money for the Commonwealth	These additional travel contracts and the measurement of adherence to these contracts will save money for the Commonwealth in the long run.
Benefits – Non Financial	
Simplified travel process	Providing travel services via a travel department should result in a simplified travel process for the end user.

Re-engineering and Re-solutioning Opportunities

The creation of the Center of Excellence (COE) is a step in implementing the Council on Virginia's Future roadmap or vision for the Commonwealth. The Council outlines a continuously improving organization as a desired attribute for the Commonwealth. Creating a COE establishes a mandate for continuous improvement in business processes such as travel.

Please note that our proposal does not include consulting services for either re-engineering or re-solutioning the travel process because the information available to us does not indicate a business case.

3.1.5 Administrative Management Conclusion

The Commonwealth Partners believe the proposed solution for the Administrative Management tower best positions the Commonwealth to retain leadership as the best-managed state in the nation (according to Government Performance Project). It puts in place processes that are integrated across the Commonwealth, delivers Administrative Management services more efficiently, economically, and consistently, eliminates redundant systems and data entry, and provides the tools and baseline to improve performance on a continuous basis. We also believe this solution preserves the existing strengths of the Commonwealth's processes and makes significant strides to address the identified weaknesses.

In the Interim Report of the Council on Virginia's Future dated January 12, 2005, specific goals for continuous improvement were identified:

- Cost Reductions
- Operational Efficiencies
- Programmatic Effectiveness

We are confident that the proposed solution helps the Commonwealth make significant progress toward these goals.

Cost reductions are achieved through the elimination of duplicate systems, reduction in duplicate data entry, and reduction in application maintenance costs through outsourcing.

Administrative operational efficiencies are achieved through the redirection of staff to more strategic activities or back toward mission-facing activities, the standardization of administrative processes across agencies, and the sharing of information across agencies.

Programmatic effectiveness for administrative programs are achieved through consistent policies and procedures across agencies, the re-shaping of agency policies and practices to permit greater sharing of resources and data across agencies, and the development of metrics to measure performance and effectiveness and to establish the baseline for improvements.

The same report identified the guiding principles to focus continuous improvement efforts:

- Collaborative behavior within and among agencies is expected
- Change must be sustainable
- Benefits must be measurable
- Accountability must be clear

The proposed solution for Administrative Management supports the focus on these principles.

The initial goals contained within this proposed solution are very realistic and are based on a very conservative business case. Significant improvements will be realized through the implementation of the processes, technologies and reorganization included in the solution. Creation of the Competency Groups within the Center of Excellence establishes a mechanism to continue the improvement efforts. It will support the establishment of a baseline from the point of implementation and then identify the realistic and incremental improvements possible for the future.

Change is sustained both through the use of the enabling technologies and creation of the Administrative Management Competency Groups. The establishment of the key performance indicators further enhances the ability to sustain change. Commonwealth executives will get early warning of lower than expected levels of performance and be able to rapidly identify the causes and address them.

The proposed solution creates the data to support benefit measurement that is lacking today.

Accountability for non-strategic administrative activities is shifted to the Administrative Management Competency Groups. Managers with each agency are responsible for achieving compliance with the Business Process Framework.

The Commonwealth Partners believe this Administrative Management solution generates the best benefits realization case for the Commonwealth which is outlined in Section 5 of this document.

Our methodology and approach for achieving this vision are outlined in Section 4.

3.2 Financial Management

This section includes a discussion of the proposed re-engineered and re-solutioned finance processes. Its purpose is to illustrate and explain fully a target process environment or architecture that is appropriate for the Commonwealth.

The desired process environment for financial management in the Commonwealth will be achieved with the implementation of three applications. Table 3-23 lists the enterprise financial processes we analyzed during the due diligence phase of the Enterprise Applications PPEA, the corresponding application we propose to implement, and how it will change in the desired process environment:

Table 3-23: Enterprise Financial Processes

Financial Process	Enterprise Application	Effect on Process Environment
Accounting	▪ ERP	Expanded functionality, accrual accounting, integration with other financial modules
Asset and Liability Management	▪ ERP	Integration with inventory accounting Integration with fixed asset system
Budget and Finance	▪ ERP	Seamless integration with accounting function
Collections and Receivables	▪ ERP ▪ Fraud and Abuse Management	Fraud detection drives opportunity for program cost reductions
Payments	▪ ERP	Increased efficiency through consistent processing and expanded fiscal service bureaus
Reporting and Information	▪ ERP ▪ Financial Dashboards	Elimination of manual processes, user friendly reporting

As shown in the table above, the three enterprise applications we propose for the Financial Management tower are as follows:

- **Enterprise Resource Planning (ERP)** – To achieve the target environment, the Commonwealth Partners and the Commonwealth propose to carry out a series of implementations to move from many agency-based financial systems interfaced with CARS to one Executive Branch¹ ERP system that includes the functionality of CARS and is integrated with other enterprise-wide applications.
- **Financial Dashboards** – To improve reporting we propose to capture and present key performance indicators (KPIs) from disparate systems and distribute them in a user-friendly fashion across Executive Branch agencies.
- **Fraud and Abuse Management** – We propose to implement an application for agencies that need prevention, investigation, detection, and settlement of potential fraudulent activities.

These enterprise applications help to streamline processes, reduce risk, improve visibility into financial management activities, and reduce expenditures through reducing fraud and abuse.

¹ The solution presented here excludes higher education and certain independent agencies. The participation of higher education institutions and independent agencies is welcomed, but not expected. Our solution does not depend on their involvement.

Target Environment

The target process environment can be described by its effect on three factors –process, technology, and people. Our proposed solution for the financial management processes will bring about changes in all three areas.

Process

The catalyst for change is the desire for continuous improvement in financial management processes. The Commonwealth's financial management processes are among the best in the nation. However, to meet the Council on Virginia's Future strategic objective # 4 of being "...recognized as the best-managed state in the nation," year after year requires continuous process improvement. Continuous process improvement results in the following:

- Improved customer service
- Reduced cycle times
- Fewer errors through a focus on quality
- Reduced resources devoted to carrying out financial processes
- Better information to support management decision-making
- Reduced risk

Our proposed solution envisions a process environment in which redundant data entry is eliminated, manual steps in a process are automated, and approvals are on-line. The To-Be financial management processes are characterized by the following:

- **Decentralized, One-Time Data Entry** – Data entered into the system for a purchase requisition follows that transaction through purchase order, approvals, receiving, inventory, invoice reconciliation, and payment.
- **Elimination of Manual Steps** – Where possible, on-line two-way and three-way matching occurs eliminating the need for filing, finding, and inspecting hard copy documents. Resources can be redirected to higher value activities.
- **More Efficient Processing** – A focused group of fiscal services specialists and human resources specialists provide support to multiple agencies in efficient fiscal service bureaus.
- **Reduced Risk** – Swift reaction to instances of program fraud and abuse. Improved reporting capabilities give managers more visibility into financial activities.

The redesigned Financial Management business processes will be integrated under the Enterprise Business Process Framework, which will be managed by the Commonwealth Center of Excellence (COE). The COE has jurisdiction over business process design, process design, key performance indicators, and related issues of policy, procedure, and training. It contains subject matter experts who provide representation across all business process owners and all executive agencies. The subject matter experts are organized into Competency Groups that are aligned on Financial Management and the other process areas. The COE and the Competency Groups

provide the mechanism for continuous improvement, managing the evolution of the Business Process Model as the agency requirements change and as the supporting technology changes.

The desired process environment is based on looking at current processes and recognizing where technology can improve them. We understand that some process improvements require changes in laws, regulations, or administrative procedures, not necessarily involving the introduction of new technology. Our solution leverages our specialized knowledge of technology and government and recommends ways in which new systems can further the Commonwealth's drive to improve its financial management processes continuously. We are aware of many good ideas for improving processes, but we also recognize that sustaining process improvements and ingraining them in the culture of an organization requires a focus on technology and people.

Technology

We believe the appropriate target architecture for the Commonwealth is one in which agencies focus on their business while technology specialists focus on the hardware and software that support the business. In the same way that an agency must have an office to conduct its business, but relies on professionals to manage the property, agencies requiring the support of an automated financial management system should not have to worry about hardware, physical plant, back-ups, upgrades, and overall maintenance of that system. If each agency constructed, maintained, and managed its own property, the Commonwealth could easily end up with hundreds of separate office buildings scattered throughout the capital. Such an arrangement is far less efficient than having fewer structures in which agencies with similar needs share space, maintenance, and property management. All agencies share certain automated financial management needs, which with sufficient participation, planning, and change management, can be accommodated in one application, on one set of hardware, in one location.

At the heart of our solution for Financial Management is an executive branch enterprise resource planning (ERP) system. Our solution suggests a managed progression toward that goal. First, we envision constructing an enterprise Financial Global Blueprint for process design in PeopleSoft with participation by all agencies. We then propose to reimplement the PeopleSoft financials for the Department of Transportation by using that Global Blueprint. Next, we recommend consolidating all existing instances of Oracle onto a single instance of Oracle, treating this as a technical upgrade, without adding new functionality. After the VDOT reimplementation, we expect to begin a migration of the remaining PeopleSoft instances (i.e. DGS and VITA) to the enterprise instance and the Global Blueprint. The following step is to replace CARS with the enterprise instance of PeopleSoft, migrating all non-ERP agencies that remain dependent on CARS at that time. Finally, we would migrate the single instance of PeopleSoft and the single instance of Oracle concurrently in a project that "fuses" the two. For planning purposes, we assume that Oracle will not have this migration path available and stabilized before 2011.²

² Oracle, which recently bought PeopleSoft, has advertised its intention to fuse the two products at some point in the future into a single software product called "Fusion." At the time this proposal is being submitted, Oracle has yet not provided a timeframe for the development and release of the Fusion product. For planning purposes, we assume that Fusion will be available

The executive branch ERP system would interface with other enterprise-wide applications such as eVA, HR/Payroll, the Fraud and Abuse Management System (FAMS), financial dashboards, and other enterprise applications as required. Our solution includes provisions to build interfaces to financial accounting systems at agencies that do not participate in the Executive Branch ERP. Judicial and Legislative branch agencies, independent agencies, and higher education agencies would be invited to participate, as we believe many would. However, our proposal focuses on those agencies over which the Governor has control.

People

The vision for re-engineered and re-solutioned financial management processes is not complete without a discussion of changes to the human resources that interact with the systems.

Our proposed solution for Financial Management will affect the workforce in the following ways:

- **Allocation of Responsibilities** – Our solutions promote a clearer division of labor among state employees. The business owners are able to focus on business while the technical support resources focus on the hardware and applications. Transaction processing work power is organized in service bureaus that focus on consistent and efficient process execution. This division of labor allows each group to focus where it adds the highest value.
- **Knowledge** – The financial management system will be friendly to the end-user, while being more sophisticated in its features and functionality. The technical support team will include members with specialized expertise in new technology.
- **Mix of Skills** – By bringing agencies to one ERP, there will be fewer financial systems in the Commonwealth that required specialized expertise to support. As more and more agencies are brought up on the statewide system, the number of different applications being supported by technology staff will decrease.
- **Allocation of Human Resources** – Process improvements supported with technology can yield efficiency. The desired process environment will enable the Commonwealth to redirect some resources to higher and better uses.

Enterprise Applications PPEA is a critical part of IT transformation for the Commonwealth and will affect how work is allocated and performed. New policies, services and relationships will be created. Jobs, skills and performance measurement will be affected. Over time, new system capabilities, services, business process improvements and IT solutions will be implemented, generating more impact on the Commonwealth's human resources.

Rollout of Financial Management Tower ERP Solution

Table 3-24 shows that pathway to the desired process environment and architecture consists of the following:

and stabilized in the marketplace by 2011. However, in any event, our proposal puts the Commonwealth on an upgrade path that will accommodate the arrival of Fusion whenever it is released.

Table 3-24: Process Environment and Architecture Pathway

ERP Project	Estimated Timeframe
Create Executive Branch Global Blueprint for PeopleSoft Financials	Jan. 2006-July 2006
Re-implement PeopleSoft at the Department of Transportation	Aug. 2006-Aug. 2007
Implementation of PeopleSoft Global Blueprint at "ERP Fast Track" agencies	Aug. 2006-July 2007
Consolidate existing instances of Oracle into a single instance, using the latest available release, and establish an Oracle fiscal service bureau	Aug. 2006-Mar. 2007
Migrate agency based PeopleSoft instances (DGS and VITA) to the enterprise PeopleSoft instance and Global Blueprint and establish a PeopleSoft fiscal service bureau	Sept. 2007-Apr. 2008
Replace CARS with the enterprise instance of PeopleSoft	May 2008-June 2009
Migrate PeopleSoft instance and Oracle instance to the Fusion transition platform and create a statewide fiscal service bureau	Jan. 2011-Sept. 2011

The result is a streamlined information technology architecture to support fewer integrated systems. The pathway to the target state is described in more detail in the following sections.

Global Blueprint

The Commonwealth Partners propose to begin constructing the Commonwealth's enterprise-wide financial backbone by engaging all agencies in designing a Global Blueprint for financial processes using the PeopleSoft software suite. This Global Blueprint would include not only the modules that are currently implemented at the Department of Transportation, but would add components such as budgeting, cash management, grants management, and project accounting so as to support all the financial processes of the Commonwealth. In fact, the scope of the Global Blueprint will exceed the functional scope of all but the largest agencies. Agencies would be free not to implement all business processes in the Global Blueprint, because ERP functionality may be excessive for some processes in some smaller agencies. In fact, agencies will have the flexibility to implement parallel solutions outside the Global Blueprint, as long as those solutions are supported within the Enterprise Applications Managed Solutions Portfolio.

For example, ERP fixed asset accounting functionality or inventory accounting functionality may be overly complex for some smaller agencies that have minimal property, equipment, or material stocks. These agencies may opt to maintain fixed asset or inventory records using a locally installed accounting software package, or even an MS Office product such as Excel or Access. We believe that the Global Blueprint must be scalable – sufficiently robust to support even the largest and most complex agencies, but not burdensome for the smaller agencies.

The Global Blueprint will include a new statewide chart of accounts that meets VDOT's needs as well as the needs of all other executive branch agencies.

Reimplementation of PeopleSoft at VDOT

The Virginia Department of Transportation has a project underway to reimplement PeopleSoft financials. VDOT originally implemented PeopleSoft in the 1995-98 timeframe with version 6 and has never upgraded. An upgrade is no longer possible because version 6 is out of support, and in any case, VDOT's extensive customization of the software would make an upgrade highly

problematic. VDOT is currently engaged in a fit-gap analysis, comparing its business requirements against the available PeopleSoft functionality, and would expect to initiate the re-implementation project by early 2006.

The PeopleSoft reimplementation effort at VDOT offers a perfect opportunity for the Commonwealth to bring about an enterprise design for ERP. Should the Commonwealth execute a contract for the Enterprise Applications PPEA in the fall of 2005, the planned VDOT reimplementation and this PPEA project would begin at nearly the same time. Our proposal seeks to make the VDOT implementation the last agency-based ERP implementation in the Commonwealth and the first agency ERP implementation based on a blueprint for a statewide ERP financial solution.

Implementation of PeopleSoft Global Blueprint at “ERP Fast Track” Agencies

Once the Global Blueprint is completed, the Commonwealth will have the option to implement it immediately at agencies other than the Department of Transportation. This could be advantageous for some agencies that have no ERP system today – neither PeopleSoft nor Oracle – but have expressed the need for ERP functionality and, in some cases, have progressed along the path to acquiring and implementing an ERP package. The Virginia State Police and the Department of Corrections are examples of such non-ERP agencies.

The Commonwealth Partners are not specifically recommending the “ERP Fast Track” approach, and such initiatives for the State Police and Corrections are not included in the estimated budgeting figures that we provide in this proposal. We wish only to demonstrate that our approach to deploying the Global Blueprint is flexible and will accommodate the evolving priorities of the Commonwealth. We look forward to working with you in finalizing an ERP implementation approach during the project planning phase that will accelerate the business benefits while minimizing cost and risk.

Oracle Consolidation

The next phase in the transition to an executive branch ERP is the migration of agencies with Oracle to a statewide instance of Oracle. The Commonwealth has already taken initial steps in this direction, although the effort was deferred in order to assess the impact of the PPEA. The Commonwealth Partners believe that the Commonwealth can obtain near-term savings by making this consolidation, in terms of software license costs, infrastructure support costs, and even in process costs, by establishing a single Oracle fiscal service bureau that would centralize payment activity and other financial processes.

We envision the Oracle consolidation as a straightforward technical migration. We would establish the common instance using the latest available release of Oracle, but we would not introduce any new functionality, nor would we require conformity with the Global Blueprint. The Oracle consolidation can be understood as a transitional step on the path to eventual migration to Oracle’s “Fusion” product, at which time the existing Oracle agencies would adopt the Global Blueprint.

Although the Oracle consolidation does not implement the Global Blueprint, there is a dependency in the timing of these initiatives. The Oracle consolidation cannot begin until the Global Blueprint is completed because:

- Oracle agencies will be needed to participate in the Global Blueprint design, and we are sensitive to potentially conflicting demands for agency resources
- The Oracle consolidation could raise issues of process design relative to the Global Blueprint that would impact its eventual implementation in the Oracle agencies, and these issues cannot be identified and understood without a complete design.
- Agencies to be migrated during the Oracle consolidation phase are:
 - Department of Social Services
 - Department of Medical Assistance Services
 - Department of Motor Vehicles
 - Department of Education
 - Department of Environmental Quality

We expect that the impact of the Oracle consolidation on end users will be minimal, since we would not be redesigning existing business processes or introducing new ones.

PeopleSoft Consolidation

The next phase in the transition to an executive branch ERP is the migration of agencies with PeopleSoft to the statewide instance of PeopleSoft that, at the outset, is implemented only at VDOT, plus any “Fast Track” agencies. Because the Global Blueprint was designed to support a statewide ERP, the migration of an agency from the agency-based instance to the statewide instance will be relatively straightforward. End-users do not have to learn an entirely new system, just the Global Blueprint-enabled business processes and possibly some new features related to the current PeopleSoft version. Agencies to be migrated during this phase include the following:

- Department of General Services
- Virginia Information Technologies Agency

The consolidation of PeopleSoft instances under the Global Blueprint serves as preparation for the replacement of the Commonwealth Accounting and Reporting System (CARS) and for eventual migration to the Fusion ERP product. Moreover, the Commonwealth can realize some additional process savings in this migration by establishing a common PeopleSoft fiscal service bureau.

CARS Replacement

The next phase in the transition to executive branch ERP is the retirement of the Commonwealth Accounting and Reporting System (CARS) and its replacement with the common PeopleSoft instance as the Commonwealth’s financial backbone. This will provide robust financial

accounting capabilities to all agencies that now rely upon CARS for their basic transaction processing, financial management, and/or financial reporting needs. With this implementation the commonwealth would have a single instance of PeopleSoft ready to accommodate any state agency. This allows for central location of hardware and hardware support staff and facilitates efficient growth as other agencies are added to the single instance of PeopleSoft.

Fusion

Oracle has indicated its intention to “fuse” its two ERP products—Oracle and PeopleSoft—into one product in the future. The timeline for that conversion is not yet established, but The Commonwealth Partners assume that the product will be available and stabilized in the marketplace by 2011, which is Year 6 on our 7-year proposal timeline. Our plan allows for the actual availability and migration to Fusion to occur as much as a year earlier without disrupting our proposed timeline for the earlier initiatives. Likewise, the actual availability of Fusion might be later by a year without raising the necessity of an intervening upgrade for the common PeopleSoft instance. In any event, the eventual outcome for the Commonwealth is a common ERP system across the executive branch, including human resources and payroll in the same instance, and integrated with the Commonwealth’s enterprise e-procurement solution eVA.

Fraud and Abuse Management System

In addition to the PeopleSoft ERP financial “backbone” for the enterprise, The Commonwealth Partners have identified opportunity for the Commonwealth in the Collections and Receivables process, particularly applying technology to drive incremental collections through the detection of program fraud and abuse. As described more fully below, The Commonwealth Partners propose to implement the IBM Fraud and Abuse Management (FAMS) solution on a pilot basis for Medicaid payments at the Department of Medical Assistance Services (DMAS). This is a short-term initiative that would commence immediately. Following the DMAS pilot, we propose a Commonwealth-wide evaluation of fraud and abuse-related opportunity in order to prioritize additional opportunities. For planning purposes, we have assumed that the food stamp program administered by the Department of Social Services (DSS) serves as an example of such opportunity.

Financial Dashboards

The Commonwealth Partners have identified enterprise-wide financial scorecard or dashboard reporting as an additional opportunity. The purpose of dashboard reporting is to deliver the key performance indicators that are defined in the Enterprise Business Process Framework to the managers who are accountable for the business results. The Financial Dashboards are a long-term project and will be implemented and rolled out to agencies in phases beginning in the third year of the project. The rationale for this timing is to leverage the enterprise data model that will be constructed during the Global Blueprint for PeopleSoft.

For the implementation of dashboards, we expect to build upon the work that has already been initiated with Indigitech and to utilize technologies to which the Commonwealth already has access.

Figure 3-25 summarizes the implementation approach for the enterprise solution for the finance team:

The following discussion of re-engineering and re-solutioning for the finance tower is organized according to its six major processes:

- Accounting
- Asset and Liability Management
- Budget and Finance
- Collections and Receivables
- Payments
- Reporting

The introduction to this section provides an overview of the features of the re-engineered processes. The features range from how the process works to its impact on Commonwealth government. Some features vary significantly among the processes while others are consistent across all processes. Features that are consistent among the processes are described only once in the introduction section. These include the following: integration points, reporting requirements, security considerations, and data conversion requirements.

Other features of the processes are discussed separately for each of the six processes. Features discussed for each process include the following: process flow narrative, process objectives and key performance indicators, organizational impact considerations, impact on existing policies and procedures, other risks, and improvements, strengths and weaknesses.

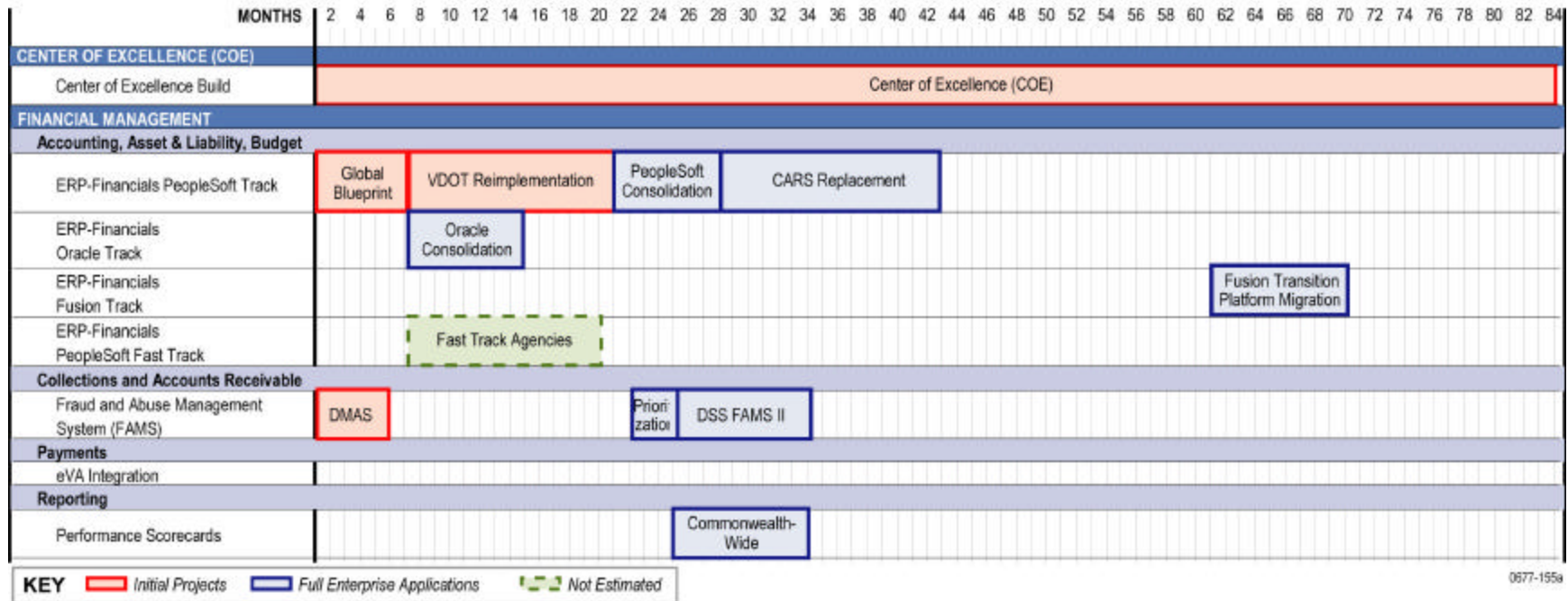
3.2.1 Accounting

This section describes how the proposed process environment as envisioned in our solution affects the accounting in the Commonwealth of Virginia. The description covers topics ranging from how the process flow will change to the risks and organizational impacts that may result. The section concludes with a chart that presents the strengths and weaknesses of the As-Is environment and indicates how the To-Be environment addresses them.

Process Narrative

With the proposed solution, the Commonwealth's accounting process improves significantly. An ERP system will not only handle the Commonwealth's general ledger, but will support the financial accounting needs for the Executive Branch agencies. It will reduce the time and effort required for reconciliation, reporting, and off-line encumbrance accounting.

Figure 3-25: Financial Management Tower Solution Roadmap



The inputs and predecessors to the accounting process do not change, nor do the outputs and successors. Inputs and predecessors such as financial transactions, reconciliation, audits, accounting rules, and error corrections continue in the To-Be state, however, there will be less manual input of financial transactions and less effort devoted to reconciliation. This impact is reflected in increased efficiency of the resources needed to support the accounting function.

Table 3-25 presents a summary of the characteristics of the To-Be process environment:

Table 3-25: Process Characteristics for Accounting

Characteristic	Under Proposed Solution
Inputs and predecessors	Financial transactions including payments, receipts, accounting for assets and liabilities, and processing error corrections.
Outputs and successors	Reports
Process owner	Department of Accounts
Resources	Fewer human resources will be required for reconciliation and transaction processing.
Process orientation	Centralized
Process placement	In-sourced

The process owner remains the Department of Accounts, and accounting will be carried out in a centralized manner. The process placement is still largely centralized, but with an increase in decentralized data entry. Our To-Be proposal maintains an in-sourced process placement.

Process Objectives and Key Performance Indicators (KPIs)

The key process objectives for accounting are accuracy and speed. Commonwealth executives and management want the right numbers, right away. The accuracy of the accounting output is measured by the annual audit. Interim indicators of accuracy can be garnered through measuring the number of errors identified through regular reconciliation. In this case it is not the size of the error but the number of errors identified and reconciled through the process. Table 3-26 shows the key performance indicators.

Table 3-26: KPIs for Accounting

Measure	Definition	Goal	Comments
Accuracy of financial reports	Results of Annual Audit	Unqualified report	Commonwealth currently receives unqualified audit reports.
Reconciliation	The number of systems that need reconciling on a routine basis	Reduce by 50 percent	Automated reconciliation reduces the risk of error.
Efficiency	The number of FTEs required to reconcile different financial accounting systems	10 % reduction from current level of effort	Reconciliation is one of several tasks that financial accounting staff performs. A reduction in reconciliation efforts should reduce FTEs.

The re-engineered and re-solutioned process is designed to reduce the opportunities for error by eliminating dual data entry and automating reconciliation processes. Currently, Virginia receives unqualified audit opinions, has a triple-A bond rating, and is regarded as the best managed state in the U.S. Our proposed solution is designed to maintain those standards, and to do so more efficiently.

Integration Points

With the implementation of our proposed solution, the primary integration point for accounting is the chart of accounts, which enables integration with all of the other financial modules in the ERP system such as accounts payable, receivable, etc. It also enables integration with other enterprise solutions envisioned by the Commonwealth Partners, especially in the areas of equipment management and inventory.

Significant statewide integration points needed between the financial system and other enterprise applications such as the following:

- Statewide HR/Payroll system
- Equipment management system
- Facility management systems
- Inventory management system (agencies will have a choice of two)
- Warehouse management system
- eVA
- Fleet management system

In addition to these interfaces, the executive branch financial system would still maintain integration points with agencies in the other two branches of government, with higher education institutions, and with other independent agencies.

Organizational Impact Considerations

Re-engineering the accounting process through the implementation of a new financial management system should not have a major impact on Commonwealth agencies. As agencies are brought on to a new system, the Commonwealth's fiscal staff will learn the new processes. The new processes, however, must still meet the legal and regulatory requirements associated with accounting for a government entity. Other process steps, which may have been created to work around outdated technology, will go away or change.

Impact on Existing Policies and Procedures

The proposed ERP solution itself should have no impact on existing policies. The Commonwealth's accounting policies are not based on the technology that supports them; rather, they are based on requirements of the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). Procedures, however, may change to leverage the capabilities in the Oracle and PeopleSoft systems.

Other Risks

The Commonwealth Partners have identified in Table 3-27 the risks associated with the implementation of the proposed solution for the Accounting process.











Table 3-27: Risks and Mitigation for Accounting

Risk	Mitigation
Agencies will resist making policy and procedures changes to support the solution	Our solution includes a comprehensive change management component
A significant portion of accounting and finance staff are near retirement. They may leave rather than learn a new system	The opportunity to work with new technology makes positions more attractive, and with improved processes fewer resources will be needed.
Agencies will resist supporting a centralized service delivery mechanism	Phased rollout schedule provides opportunity to prove solution's benefits.
Agencies will not agree completely to an enterprise financial management processes	Statewide blueprint process will include a broad range of agencies. All agencies will have an opportunity to contribute to the solution.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section compares and contrasts the relative strengths and weaknesses of the To-Be environment to those described in the As-Is process environment. The Green light indicates that an item is a strength. Table 3-28 describes how the proposed solution either addresses a weakness, or builds upon a strength in the Commonwealth's Accounting process. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-28: Proposed Solution for Accounting

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Financial systems are tailored to agency needs	Global Blueprint would address agency needs within consistent framework	Re-engineer the chart of accounts
		Some agencies like the Reportline reporting solution	Performance Dashboards built on ERP databases would enhance reporting	Migration of all reporting to ERP backbone
		Decentralization – risk, costs, and inconsistency	Decentralized data entry into central system reduces costs	Direct entry into ERP financial system
		Manual processes for reporting	Manual processes reduced	Maintain single set of accounts for each fund
		Old / unsupported technology	Solution calls for new technology	NA

Many of the issues with the current accounting processes are addressed with the implementation of a statewide ERP. A new ERP will provide encumbrance accounting, improve reporting, and will be integrated with other financial modules and systems. The Commonwealth should take the opportunity while implementing a new financial system to re-engineer some of its fundamental accounting assumptions including the chart of accounts.

The Commonwealth's chart of accounts should allow managers to track financial data consistent with legislated reporting requirements. The new chart of accounts should support performance budgeting and unit costing specifically. As a part of our proposal to implement a statewide ERP, we will work with the Commonwealth to develop a chart of accounts that provides the level of detail needed statewide to meet agency and central administrative needs.

Implementation of this recommendation is expected to eliminate a significant portion of existing and future manual processes needed to develop and report program and unit cost information that cannot be reported now through CARS. With better information, managers will be able to make more effective program management decisions.

Table 3-29: Process Improvements for Accounting

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
A much higher level of integration	Executive Branch ERP provides a significantly higher level of integration than current state and ERP will integrate with other enterprise applications such as HR/Payroll and eVA.
Productivity	
Comprehensive range of functional capabilities	The Commonwealth Partners' solution increases productivity through the wide range of functional capabilities an ERP solution offers.
Service Delivery	
Enhanced reporting capabilities	The executive branch ERP, through the inclusion of a wider range of information from across state government creates the basis for enhanced reporting.
Sensitivity to, and need to provide for agency-specific accounting requirements	Our project plan begins with the creation of a global blueprint to capture the requirements for all state agencies participating in the ERP
Accountability	
Support for full accrual accounting	The proposed ERP supports cash basis and accrual accounting. With accrual accounting agency heads can hold managers accountable for encumbrances as well as outlays.
Costs	
Expanded and flexible account classification structure	The ERP offers an expanded and flexible account classification structure based on agency needs that allow the Commonwealth to track and manage costs in a variety of ways.
Benefits – Financial	
Best Practice – Automate reconciliation processes	A statewide integrated system eliminates the need for many reconciliation processes.
Benefits – Non Financial	
Modern technology	With a new executive branch ERP, the Commonwealth embraces modern technology across most agencies and gains the benefit of an enterprise wide financial system.

3.2.2 Asset and Liability Management

The most important feature of the re-engineered and re-solutioned asset and liability management process will be the simultaneous recording of transactions on multiple bases of accounting. State government is required by various public and private authorities and rule-making bodies, such as the Government Accounting Standards Board (GASB) to report financial results for a given period on more than one basis of accounting. In fact, the multiplicity of accounting rules is the main driver of complexity in public sector accounting, relative to private enterprise. In state government, financial results must be reported on the following bases:

- Budgetary basis
- Cash basis
- Full accrual (GAAP – Generally Accepted Accounting Principles)
- Modified accrual (GAAP)

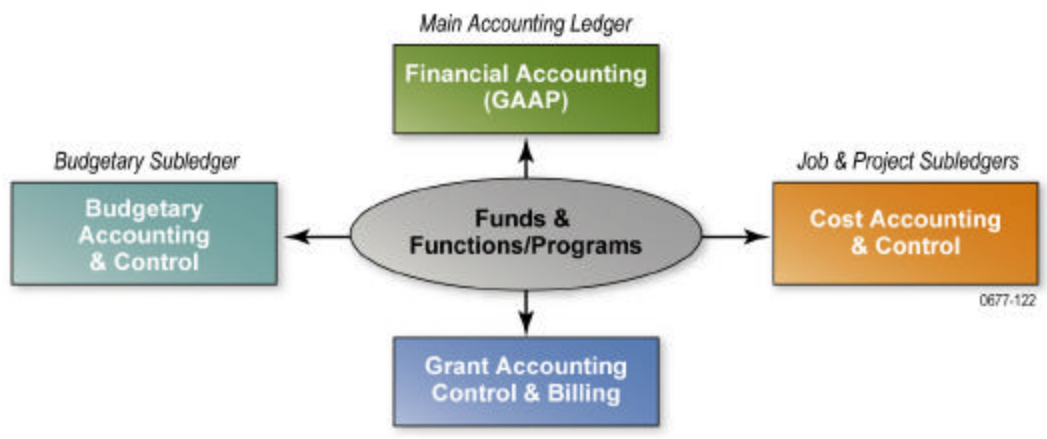
In addition, programs that are eligible for reimbursement under federal grants frequently require financial reporting on additional bases of accounting, including:

- Grant basis
- Cost basis
- Project basis

The existing Commonwealth Accounting and Reporting System (CARS) is primarily a cash accounting environment. In order to obtain financial results on the other bases of accounting, it is necessary either to make manual adjustments or, if the reporting requirement is specific to an agency program, the agency itself performs any necessary manipulation in local systems. These adjustments are laborious and error-prone, and they require a separate reconciliation effort to ensure that the results on the different bases of accounting are in agreement.

The Commonwealth Partners' proposed solution for the Commonwealth will map each asset and liability sub-process to the required bases of accounting and will utilize the capabilities of the PeopleSoft and Oracle ERP packages to post financial transactions on multiple bases of accounting simultaneously. This approach eliminates manual effort and removes the need for reconciliation.

Figure 3-26: Multiple Bases of Accounting in Public Sector



The assets and liabilities management process comprises the following sub-processes:

- Petty Cash
- Cash Management Improvement Act (CMIA) Compliance
- Inventory Accounting
- Fixed Asset Accounting
- Other Assets
- Other Liabilities

While there is opportunity for improvement in all of these process areas resulting from the Commonwealth-wide ERP implementation, we do not project significant cost savings in this area from ERP per se. Rather, we expect that the Commonwealth can realize qualitative benefits, particularly in the inventory and fixed asset accounting processes, where the current state shows some weaknesses, relative to best business practices, due to lack of integration.

Process Narrative

Inventory Accounting

The challenge in the inventory accounting process is to devise a solution that is scalable across the wide range of requirements in the Commonwealth. The executive agencies are highly diverse in their current inventory accounting practices, needs, and solutions. But the key to re-engineering and re-solutioning the inventory accounting process is integration, i.e. establishing a seamless flow between logistics processes and the accounting process. As the recommended enterprise backbone, PeopleSoft will provide this integration.

Responsibility for the inventory accounting process will initially remain with the agencies, but will be migrated to the fiscal service bureaus in the course of Commonwealth-wide replacement of CARS with the PeopleSoft Financial Global Blueprint.

For larger agencies, where inventory transactions are numerous and value is high, the Global Blueprint will provide for automated posting of inventory quantities and values directly in

PeopleSoft, supported by interfaces from eVA and other systems where material master records, goods receipts, and goods issues originate. For smaller agencies, where transaction volume and inventory value are low, there will be the option to maintain inventory movements in offline applications such as Maximo or Tririga, since PeopleSoft provides functionality to post financial transactions for inventory at a summarized level.

Thus, for the larger agencies, the PeopleSoft system will contain part number detail of valued goods receipts and goods issues. Every inventory movement, including adjustments, will trigger a financial posting in real time that records the value of the inventory change in the general ledger.

Table 3-30: Process Characteristics for Inventory Accounting

Process Characteristic	Under Proposed Solution
Inputs and predecessors	Material master records, goods receipts, goods issues
Outputs and successors	General ledger postings and financial reports
Process owner	Department of Accounts
Resources	Minor reduction in current work effort due to economies of scale
Process orientation	Centralized
Process placement	In-sourced in fiscal service bureaus

Process Objectives and Key Performance Indicators (KPIs)

The objective of the inventory accounting process is timely and accurate financial reporting of changes in the value of inventoried materials, consistent with the Commonwealth's responsibility as the custodian of public property.

To establish a baseline for realization of business benefits, the Commonwealth Partners propose the key performance indicators in Table 3-31 to support the inventory accounting. All of these key performance indicators can potentially apply at the level of agency, warehouse or stockroom, commodity, or individual part number.

Table 3-31: KPI's for Inventory Accounting

Measure	Definition	Goal	Notes
Inventory Turnover	Value of periodic inventory issues divided by beginning inventory value	High inventory turnover signifies efficient use of resources	Overly aggressive inventory turnover can cause high backorder counts and value.
Inventory Adjustment Value	Periodic value of inventory write-ups and write-downs	Downward trend over time.	This is an indicator of inventory management efficiency and effectiveness. Inventory adjustments are recorded with a reason code, signifying loss, theft, mislabeling, obsolescence
Inventory Adjustment Ratio	Inventory Adjustment Value divided by beginning inventory value	Downward trend over time.	This is an indicator of inventory management efficiency and effectiveness. Inventory adjustments are recorded with a reason code, signifying loss, theft, mislabeling, obsolescence

Measure	Definition	Goal	Notes
Backorder Count	Periodic count of order line items where fulfillment is delayed due to stockout	Downward trend over time.	There is a tradeoff between inventory turnover and backorders. This KPI prevents overly aggressive financial management can negatively impact service levels.
Backorder Value	Periodic value of order line items where fulfillment is delayed due to stockout	Downward trend over time.	There is a tradeoff between inventory turnover and backorders. This KPI prevents overly aggressive financial management can negatively impact service levels.

Integration Points

The inventory accounting process is downstream from the procurement process and shares the following data elements:

- Warehouse, stockroom, and/or storage location
- Material master record

The inventory accounting process is downstream from the fulfillment processes and shares the following data elements:

- Warehouse, stockroom, and/or storage location
- Material master record

Organizational Impact Considerations

Resources for the inventory accounting process will be assigned to the fiscal service bureaus.

Impact on Existing Policies and Procedures

The impact on existing policies and procedures will be limited to the effect of consolidation of agency functions in the fiscal service bureaus.

Fixed Asset Accounting

As in the case of inventory accounting, the challenge is to introduce standard business processes and a common solution across the Commonwealth that are robust enough to support the largest and most complex agencies, yet not burdensome to the smaller agencies. Again, the key to re-engineering and re-solutioning this process is the state-of-the-art ERP package that supports integration, particularly with procurement, capital budgeting, and accounts payable.

Table 3-32: Process Characteristics for Fixed Asset Accounting

Process Characteristic	Under Proposed Solution
Inputs and predecessors	Purchase requisitions
Outputs and successors	Fixed asset master records, sub-ledger balances, and financial reporting
Process owner	Department of Accounts
Resources	Minor reduction in current work effort due to economies of scale
Process orientation	Centralized
Process placement	In-sourced in fiscal service bureaus

Process Objectives and Key Performance Indicators (KPIs)

The objective of the fixed asset accounting process is timely and accurate financial reporting of the value of capital assets held by the Commonwealth, and the periodic changes in that value, including infrastructure assets as required under GASB statements 34 and 35, consistent with the Commonwealth's responsibility as the custodian of public property.

To establish a baseline for realization of business benefits, the Commonwealth Partners propose the following key performance indicators in Table 3-33 to support the fixed asset accounting process.

Table 3-33: KPI's for Fixed Asset Accounting

Measure	Definition	Goal	Notes
Acquisition Cost	Historical cost of placing asset in service or extending its useful life	Track on multiple bases of accounting (GAAP, budgetary, etc.)	To be recorded and reported at the level of Commonwealth, business unit (agency), asset class, location, and individual asset.
Periodic Depreciation	Expiration of acquisition cost over the useful life of the asset	Track on multiple bases of accounting (GAAP, budgetary, etc.)	To be recorded and reported at the level of Commonwealth, business unit (agency), asset class, location, and individual asset.
Accumulated Depreciation	The sum of all periodic depreciation postings	Track on multiple bases of accounting (GAAP, budgetary, etc.)	To be recorded and reported at the level of Commonwealth, business unit (agency), asset class, location, and individual asset.
Net Book Value	Acquisition Cost less Accumulated Depreciation	Track on multiple bases of accounting (GAAP, budgetary, etc.)	To be recorded and reported at the level of Commonwealth, business unit (agency), asset class, location, and individual asset.
Inventory Adjustment Value	Changes in valuation from periodic inventory taking (loss, theft, damage, etc.)	Downward trend over time.	To be recorded and reported at the level of Commonwealth, business unit (agency), asset class, location, and individual asset.

Integration Points

The fixed asset accounting process has integration points with numerous other business processes, and it is this aspect where the Commonwealth has opportunity to improve the process, reducing missed handoffs, manual effort, and redundancy.

The fixed asset accounting process is downstream from the procurement process. One of the most common deficiencies of fixed asset accounting in public sector entities is the lack of integration with procurement. Fixed assets are understated because buyers and other users in the procurement chain, who are not necessarily trained to make accounting distinctions, fail to differentiate between capital and expense purchases. Since most purchases are in fact proper to expense, that becomes the default procedure, and capital purchases are erroneously recorded as expense.

The fixed asset accounting process is downstream from the capital budgeting process. In the budget process, a distinction is made between operational spending and capital spending – by appropriation and by agency. Proper management of the budget requires that the same distinction be respected (and reported) from the recording of actual expenditures. Capital expenditures need to consume that portion of the appropriation that is designated for capital spending.

The fixed asset accounting process also integrates with the grant accounting process. Federal grants typically require a segregation of program outlays according to capital versus operating expenses. The terms of different federal grants can vary considerably; sometimes the amount of federal participation differs between the capital versus operating aspects of a program, and sometimes the federal grantor expects to recover its investment in capital assets at the close of the grant term.

The fixed asset accounting process also integrates with the project accounting process, and the two processes share master data (i.e., the project or work breakdown structure (WBS) element maps to fixed asset master record). The value of construction in progress (CIP) that is captured on projects must be analyzed at period end to determine what portion is to be capitalized.

Organizational Impact Considerations

Responsibility for the fixed asset accounting process will be migrated to the fiscal service bureaus in connection with the replacement of CARS by PeopleSoft. Agencies will retain responsibility for initiating fixed asset acquisitions, transfers, and retirements, but maintenance of the enterprise-wide fixed asset master file and posting of the fixed asset sub-ledger will be centralized.

Impact on Existing Policies and Procedures

The impact on existing policies and procedures will be limited to the effect of consolidation of agency functions in the fiscal service bureaus.

Other Risks

The Commonwealth Partners have identified in Table 3-34 additional risks associated with the implementation of the proposed solution for the assets and liability management process.

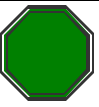
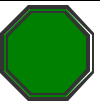

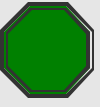

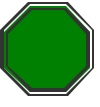

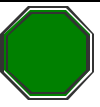

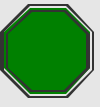

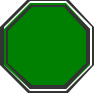
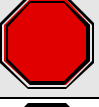
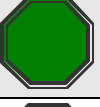
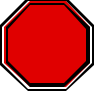
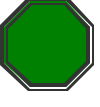
Table 3-34: Risks and Mitigation for Assets and Liability Management


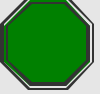
Risk	Mitigation
Non-financial agency staff will resist integration of inventory and equipment management processes with financial processes	Implement communication and workforce mobilization plans, under direction of the Center of Excellence, that engage the Commonwealth leadership in advocacy of the Enterprise Business Process Model
Smaller agencies will resist complexity of ERP	The Enterprise Applications Managed Solutions Portfolio can provide alternative non-ERP solutions for smaller agencies
Complexity and cost of interfaces with non-ERP applications such as eVA and Maximo	Allocate time and resources for development in detailed project planning

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. The table describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-35: Proposed Solution for Asset and Liability Management

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Decentralization of asset and liability management processes	Global Design under ERP can be applied flexibly across the organization and does not have to affect all processes in all agencies	NA
		Fixed Asset System has limited functionality	ERP software introduces state-of-the-art functionality, allowing tracking of assets on different bases of valuation (accrual, modified accrual, budgetary, grant accounting)	Financial management processes, equipment management processes, and property control processes share common data but separate ownership
		Fixed Assets process is not standardized or integrated	Global Design includes integration with procurement in eVA, facilities management in Tririga, and equipment management in Maximo	Capital and operating expenditures are properly tracked in financial and grant reporting
		Use of petty cash indicates defects in time reporting and/or payroll processes	Unitary Commonwealth-wide ERP platform establishes near real time integration between payroll and financials	"Disentangle" business processes
		Lack of Automated Accrual Accounting	Simultaneous, real time posting of financial transactions on multiple bases of accounting	ERP supports GAAP accounting, budgetary basis, cash basis, grant accounting, and project accounting
		Inventory accounting process has limited integration	Inventory accounting can be automated for large agencies	Global Design includes interfaces between ERP and eVA and other logistics systems
		Varying levels of application support	Establishing the Managed Solutions Portfolio removes disparity among agencies	Enterprise Applications Managed Solutions Portfolio
		Lack of knowledge transfer among agencies	Financial Global Design establishes a common knowledge base across agencies	Enterprise Business Process Model

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		CMIA compliance	Rollout of ERP consolidates all CMIA and other grant related reporting in financial system of original entry	NA

The due diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-36 shows how our proposed solution for the asset and liability management process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-36: Process Improvements for Asset and Liability Management

Commonwealth Process Improvement Suggestions from Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Automate check printing for petty cash	Standard functionality in ERP system for handling of emergency payments
Statewide banking relationship for petty cash accounts	Banking relationships can be established at any level of organizational hierarchy in the ERP system
Combine the fixed asset and capital lease accounting systems	Standard functionality in ERP system
Integrate fixed asset application with general ledger and agency applications to eliminate redundancy	Standard functionality in ERP system
Productivity	
Integrate the procurement cycle ("req to check") in real time	Standard functionality in ERP system
Exploit bar coding technology to integrate and automate financial postings	ERP system supports bar coding and radio frequency (RFID) interfaces
Service Delivery	
For CMIA compliance and grant accounting, refine calculation of drawdown and interest	ERP system includes a grant accounting module
Accountability	
Integrate fixed asset application with e-procurement solution to reduce occurrence of unrecorded or incorrectly valued assets	Finance Global Design will include interface with eVA

Re-engineering and Re-solutioning Opportunities

As with other financial processes, the key opportunity in asset and liability management is to build process integration through the Enterprise Business Process Framework. In today's environment, some agencies enjoy independence and flexibility with some business processes, while other agencies struggle with limited functionality and lack of support. The Commonwealth Partners' solution for asset and liability management is to connect these processes to the financial management ERP "backbone" of the Managed Solutions Portfolio.

3.2.3 Budget and Finance

This section describes how the proposed process environment as envisioned in our solution affects the budget and finance process. The description covers topics ranging from how the process flow will change to the risks and organizational impacts that may result. The section concludes with a chart that presents the strengths and weaknesses of the As-Is environment and indicates how the To-Be environment addresses them.

Process Narrative

With the proposed Commonwealth Partners' solution, the Commonwealth's budget and finance process improves significantly. An ERP system that not only handles the Commonwealth's general ledger, but supports the budgeting and finance needs for the executive branch agencies, will reduce the time and effort required for budget preparation, allow for the ability to post approved final budgets to the accounting system, support encumbrance accounting and ultimately reduce the time for approvals for various expenditures which requires timely and accurate funds availability information.

The inputs and predecessors and outputs to the budget and finance processes do not change. The tools used to perform the processes will change. The impact of the change in tools will be less time spent in the To-Be process on manual lookup and calculation tasks and more time spent on strategic planning and finance tasks. Table 3-37 shows a summary of the characteristics of the To-Be process environment.

Table 3-37: Process Characteristics for Budget and Finance

Characteristic	Under proposed Solution
Inputs and predecessors	Approved statewide budget input into the financial system
Outputs and successors	Encumbrance accounting and funds availability calculation completed by system.
Process owner	Department of Planning and Budget and appropriate representatives from all agencies.
Resources	Fewer human resources will be required for reconciliation and funds availability processing.
Process orientation	Centralized and decentralized.
Process placement	In-sourced

The process owner remains the Department of Planning and Budget under the Secretary of Finance. The Planning and Budget department will collaborate with the various departments to create and approve the department specific budgets. Once created, these budgets will be posted to the financial system for budget to actual reporting and funds availability checks. Our proposal maintains an in-sourced process placement.

Process Objectives and Key Performance Indicators (KPIs)

The key process objectives for budget and finance are the accuracy of the approved budget, the efficiency at which the budget can be created and the speed at which the available funds can be calculated.

As indicated earlier, the Commonwealth executives and management want the right numbers, right away. In this case the numbers are – the approved budget by department and object code, amount already spent or encumbered and the remaining funds available.

The accuracy of these numbers and the speed at which they can be calculated are ways in which this process is measured. Historically, institutions without an integrated financial system struggle with the budget process. The preparation of the budget is usually time consuming revolving around a manual process resulting in inaccuracies and reconciliation items. Having a consistent standardized way of performing the budget preparation and budget execution (posting) process provides a visible, common data set process which then allows resources to be freed up to do more strategic planning and budgeting activities.

Table 3-38 shows the key performance indicators include the following:

Table 3-38: KPIs for Budget and Finance

Measure	Definition	Goal	Comments
Accuracy of the approved budget	Should reflect the Commonwealths budget process	The goal should be to have a new SFY budget by April 30 of any given year – with a reduction in time to accomplish the process.	Commonwealth currently meets this date with a process which includes multiple systems such as WebBears and manual process steps.
Visibility of the approved budget	The approved budget should be available/ visible to the appropriate departments who need to view this information.	The objective should be to have the approved budget and amendments visible to all the agencies that are authorized to view the data.	The information is not easily available within the context of current expenditures.
Funds Availability Checks	The number of FTEs required to perform this activity at the agency level across the Commonwealth can be the measurement.	Have the system perform the mathematical task of calculating available funds.	Inconsistent processes, lack of automation have made the process cumbersome and inefficient in the past. Resources previously performing this tactical task could be re-focused on more strategic planning tasks.

The re-engineered and re-solutioned process is designed to reduce the opportunities for error by eliminating manual funds availability calculations and providing a central source of budget information in context with the accounting information.

Integration Points

With the implementation of our proposed solution, the primary integration point for budget and finance processes will be with the General Ledger and other components of the ERP suite. Currently the integration points at the Commonwealth are a combination of budgeting and accounting systems and manual processes. In the future the budget and finance processes will be accommodated within the ERP suite of products.

The only significant integration point will be between the statewide financial system and the enterprise procurement system (eVA).

Organizational Impact Considerations

Re-engineering the budget and finance process through the implementation of a new financial management system will have some impact on Commonwealth agencies. As agencies are brought on to a new system, the Commonwealth's fiscal staff will learn the new processes, now within one system. The three main sub-processes within the budget and finance area will still be performed, but now using the ERP tools.

The budget preparation process will be completed using the PeopleSoft Business Planning and Budgeting module. Once the preparation is completed or revised and then approved the budget will be loaded into the General Ledger for funds execution. Finally the general ledger will perform the encumbrance accounting and funds availability calculations.

Impact on Existing Policies and Procedures

The proposed ERP solution itself should have no impact on existing policies. The Commonwealth's budgeting and finance policies are not based on the technology that supports them. However, procedures related to the budget and finance processes will change to accommodate for the new tools for budget and finance processes within the ERP system.

Other Risks

The Commonwealth Partners has identified in Table 3-39 the risks associated with the implementation of the proposed solution for the budget and finance process.











Table 3-39: Risks and Mitigation for Budget and Finance

Risk	Mitigation
Agencies will not agree completely to an enterprise budget and finance management process	The establishment of a Center of Excellence (COE) with the appropriate representation from the agencies and Commonwealth leadership will mitigate this risk.
Agencies will resist making procedural changes to support the solution	The production of Commonwealth training materials and through training will help to mitigate this risk.
Staff may have a difficult time combining both budgeting and accounting concepts to leverage the overall process and tools.	The training should be focused not just on the tool, but also the overall processes so staff may understand the topic in a meaningful context.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section compares and contrasts the relative strengths and weaknesses of the To-Be environment to those described in the As-Is process environment. The Green light indicates that an item is a strength. Table 3-40 describes how the proposed solution either addresses a weakness, or builds upon a strength in the Commonwealth's accounting process. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-40: Proposed Solution for Budget and Finance

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		WebBears (Budget Entry and Reporting System) is web-based, easy to use and efficient for capturing agency budget submissions.	The PeopleSoft ERP solution will allow for easy budget entry and provide an efficient process for budget submissions.	The re-solutioning will allow for posting of the approved budget to the General Ledger for budget execution activities such as funds availability, a feature currently not available.
		"What-if" analysis and forecasting. The only practical way of conducting "what-if" is through traditional spreadsheet tools.	The Business Planning and Budgeting module allows for "what-if" analysis and forecasting.	The re-engineering opportunity is moving the Commonwealth to a more strategic view of budgeting since it will allow for "what-if" analysis.
		Accounting and budgetary detail. Central systems do not capture or support data requirements below the service area, program, and function.	The new solution will include a new chart of accounts, allowing additional elements for development of budgets and the accumulation of costs.	The re-engineering opportunity will allow the agencies to budget at a level which makes sense for their business and mission.
		Allocation of central appropriation adjustments.	The PeopleSoft ERP solution will allow for easy entry of central appropriation adjustments to the agency level.	The re-engineering opportunity is to make this a simple standardized process across the Commonwealth.
		Position budgeting. The Commonwealth uses a series of disparate approaches and systems for projecting personnel costs	The ERP solution will allow for position budgeting.	The re-engineering opportunity is the ability to apply a standard process of budgeting and accounting for position related costs.

The due diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-41 shows how our proposed solution for the asset and liability management process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-41: Process Improvements for Budget and Finance

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
A much higher level of integration	Executive branch ERP provides a significantly higher level of integration than currently present at the Commonwealth especially as it related to budget and finance and accounting.
Productivity	
Comprehensive range of functional capabilities	The Commonwealth Partners solution increases productivity through the increased level of functional capabilities such as encumbrance accounting and funds availability checks.
Service Delivery	
Enhanced reporting capabilities	The executive branch ERP, through the inclusion of a wider range of information from both the accounting and

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
	budgeting processes, creates the basis for enhanced reporting.
Accountability	
Support for full accrual accounting	The proposed ERP supports cash basis and accrual accounting. With accrual accounting agency heads can hold managers accountable for encumbrances as well as outlays – a completion of the budgeting process.
Costs	
Expanded and flexible account classification structure	The ERP offers an expanded and flexible account classification structure based on agency needs that allow the Commonwealth to track and manage costs in relation to the budget.
Benefits – Financial	
Best Practice – Automate reconciliation processes	A Commonwealth-wide integrated system eliminates the need for many reconciliation processes.
Benefits – Non Financial	
Modern technology	With a new executive branch ERP, the Commonwealth embraces modern technology across most agencies and gains the benefit of an enterprise wide financial system.

Re-engineering and Re-solutioning Opportunities

Many of the issues with the current budget and finance processes are addressed with the implementation of a commonwealth-wide ERP. A new ERP will provide an improved budget process including encumbrance accounting, improved reporting, and will be integrated with other financial modules and systems.

This solution is a first step in implementing the Council on Virginia’s Future roadmap or vision for the commonwealth. The Council outlines strategic planning, performance-based budgeting and performance measurement as a foundation for performance leadership. By implementing an integrated ERP system which includes budgeting functionality, the Commonwealth will be well positioned to move from a tactical focus to a strategic one.

3.2.4 Collections and Receivables

The Commonwealth Partners’ proposal takes a unique, “thinking outside the box” approach to re-engineering the collections and receivables process. During due diligence, we met with several agencies, including the Department of Medical Assistance Services (DMAS), the Department of Social Services (DSS), and the Department of Taxation, who indicated that the value of receivables on the Commonwealth’s financial reports are overstated in terms of collectibility. That is because the Commonwealth, unlike most of private industry, is constrained by law from writing off many debts that are practically uncollectible. Inflated receivables valuation tends to draw undue attention from stakeholders – executive leadership, legislators, the press, and the public -- that distracts agency management from more productive pursuits.

Furthermore, the agencies generally stated that they do a good job with collections, and they were unwilling to state that additional resources would drive additional collections commensurately, because many debtors are sick, elderly, disabled, and/or indigent.

We began to ask ourselves, what if the Commonwealth shifted its focus strategically upstream from debt collection to debt detection? All of the agencies we met with mentioned fraud and abuse as endemic problems. All of the agencies have fraud and abuse prevention and detection procedures in place, but still they suspect that much fraud and abuse goes undetected. Moreover, fraud and abuse prevention and detection is not necessarily a top priority at the agencies, relative to their program mission. There is no common process or shared toolset in place for agencies to manage fraud and abuse, nor is there common reporting, presumably due to diversity of agency programs that are susceptible to fraud and abuse.

If the Commonwealth had procedures and tools in place to drive the detection of fraud and abuse, this could result in the recording of more actionable debt and improve the Commonwealth's overall performance on collections.

We began to think of DMAS as a likely agency for piloting this concept, because DMAS reports substantial fraud and abuse from Medicaid providers where debt, once identified, will be more readily collectible than from the Commonwealth's sick, elderly, disabled, and/or indigent clients.

The Commonwealth Partners solution offers a Fraud and Abuse Management System (FAMS) that has been developed in close cooperation with leading insurance and social service industry investigators. FAMS supports the full spectrum of anti-fraud and abuse activity: prevention, investigation, detection, and settlement. It is designed to work in the same way that fraud specialists do, enabling users to identify and pursue suspected cases step-by-step, but operates far more swiftly and effectively than human investigators ever could. FAMS can sort through information on tens of thousands of providers and tens of millions of claims in minutes, bringing to light offenders who might not be identifiable any other way. The proven technology is being used by Aetna, Inc., BlueCross BlueShield of Florida, BlueCross BlueShield of Louisiana, CIGNA HealthCare, Empire BlueCross BlueShield, Horizon BlueCross BlueShield of New Jersey, Humana, and other innovative claims payers, with outstanding results.

We propose to apply this system and methodology to the Department of Medical Assistance Services (DMAS). The Attorney General of Virginia validates a May 1992 U.S. General Accounting Office (GAO) report that as much as 10 percent of Virginia's Medicaid budget is subject to waste, fraud, and abuse. Based on Virginia's annual Medicaid expenditures of \$2.3 billion, that is \$230 million of exposure. We project that FAMS can bring 10 percent of this opportunity to light, or \$23 million annually. If the Commonwealth, in developing its procedures and allocating resources to take action on FAMS findings, achieves only 10 percent efficiency, that is a potential cash stream of \$2.3 million annually – enough to recover the modest investment in FAMS in just four months.

FAMS represents a short-term opportunity for the Commonwealth, since it can be deployed in just a few months by a small team.

After the initial implementation of FAMS in DMAS, and an evaluation of the results, we propose to conduct a formal, comprehensive, cross-agency survey of fraud opportunities for subsequent FAMS implementation. We encountered several such opportunities during the Due Diligence investigation. For example, the food stamp program administered by the Department of Social Services (DSS) is susceptible to fraud by retailers who accept food stamps for impermissible purchases. Similarly, the Department of Taxation could utilize FAMS to collect revenue from those who improperly claim the low income tax credit on personal income tax returns. We believe that there are as many potential opportunities to generate collections using FAMS as there are programs within the Commonwealth that are susceptible to fraud and abuse.

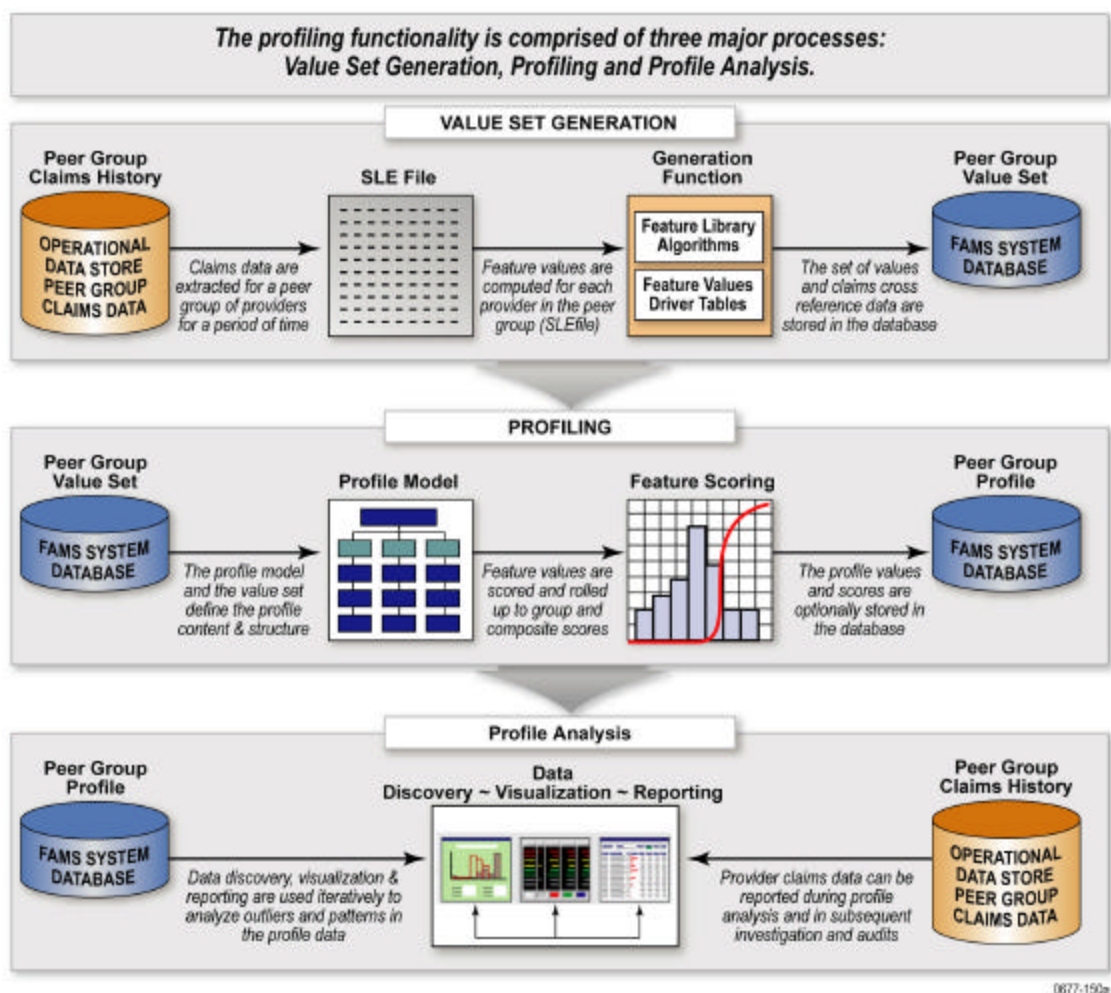
The FAMS system sensitively ranks providers in relation to their peers – within specific geographic regions, specialties and subspecialties, and virtually any other parameters users choose to define. Results are displayed in a graphical format that readily identifies providers who fall outside norms, not just those who meet predefined criteria. FAMS supports further investigation by enabling users to “drill down” into detailed information on providers’ clinical and claims practices. That means payers can hone in on suspect providers, avoid blind alleys, and devote limited resources to pursuing the most egregious offenders.

The system combines data mining, a process for discovering crucial information hidden in massive quantities of healthcare data, with integrated reporting and visualization to discover and clearly represent provider practices. Its data warehouse architecture, which accommodates highly detailed information, allows users to examine provider histories in as much depth as data permits. FAMS also utilizes Crystal Reports, a market-leading desktop query and report-writing tool that couples powerful analysis with presentation-quality graphic displays.

To identify suspicious providers, users select from over 3,000 features (e.g. average dollar charged per visit) appropriate to a particular peer group (e.g. all chiropractors in the Richmond area), then combines features to build an analysis model. The system scores each feature and processes data to generate a “suspicion index score” for all providers within the peer group.

Figure 3-27 shows the functional overview of the three major processes of FAMS.

Figure 3-27: FAMS System Functional Overview



Value Set Generation

This process reads an extract file (SLE File) which is generated from detailed claims data. FAMS then calculates values for all selected features for all the providers that have claims information included in the SLE file. This process also utilizes 19 driver tables that contain user defined data values that control how feature values are calculated. A list of providers and their corresponding feature values is generated and loaded as a peer group value set into the FAMS System Database. Feature generation requests are submitted from the FAMS Client installed on the workstation and executed on the FAMS application server.

Profiling

A provider profile is created by applying a profile model to a previously created value set. For each provider and each feature included in the profile model, FAMS calculates the position of the feature scoring curve on the data distribution of the feature values for all providers. Based on where a provider's feature value intersects the scoring curve, the value is converted to a score

between 0 and 1000. Once all features for all providers have been scored, the profile results are stored in the FAMS System Database.

Profile Analysis

Once a profile has been created, there are three functions used to analyze the results. They include Reporting, Data Visualization, and Data Discovery.

Reporting

The FAMS Reports and Database Wizard is a graphical, easy-to-use, point-and-click interface which allows investigators to select from a set of more than 150 pre-developed “standard” reports. The FAMS Report Wizard produces output that is similar in format (i.e., tables, rows, columns, simple graphs) to what users are used to seeing from spreadsheet, batch-oriented and ad-hoc reporting tools.

As part of an implementation project, these standard reports can be customized to meet any client specific requirements. The report customization also includes the ability to create new reports. These new reports are completely integrated into the Reports and Database Wizard’s menu.

All reports are developed using Seagate Crystal Reports, and a runtime version of Crystal Reports is installed as part of the FAMS Client software. These reports are generated in a real time mode and immediately returned to the user.

Solution Benefits

- Improved Audit Selection of Suspect Providers
- Enhanced auditor/investigator productivity
- Recovery of dollars that were erroneously paid
- Proven technology and business processes
- Significant return on investment

Process Narrative

Under our proposed solution the Commonwealth’s collections and receivables process will operate more efficiently due to greater focus on identifying and collecting overpayments from fraud and abuse. FAMS will not only identify opportunities for investigation, but will allow the Commonwealth to profile and prioritize those opportunities in terms of probability of detecting an overpayment and eventually collecting. This means that the overall performance of the collections process will improve, because only the most likely opportunities will be pursued. This will drive key measures such as Days Sales Outstanding (DSO) downward both on an agency and a Commonwealth-wide basis, as the effect of uncollectible items is diluted.

The high level flow of the process comprises the following steps:

1. Organize Program payment data for processing by FAMS
2. Execute FAMS analysis

3. Select and prioritize targeted payment events
4. Determine and prioritize overpayments
5. Bill payees for overpayments and record receivable
6. Collect and post cash

Table 3-42: Process Characteristics for Collections and Receivables

Process Characteristic	Under Proposed Solution
Inputs and predecessors	Program payment transactions such as provider payments for Medicaid.
Outputs and successors	Cash receipts
Process owner	Department of Accounts
Resources	Fiscal service bureaus aligned on secretariat
Process orientation	Decentralized
Process placement	In-sourced

Process Objectives and Key Performance Indicators (KPIs)

To establish a baseline for realization of business benefits, the Commonwealth Partners propose in Table 3-43 key performance indicators to support the collections and receivables process.

Table 3-43: KPIs for Collections and Receivables

Measure	Definition	Goal	Notes
Days Sales Outstanding (DSO)	Value of annual billings divided by the period end value of receivables	Reduce DSO to generate cash and reduce short term borrowing costs and/or program costs	DSO is the traditional key measure of velocity in collections. It is an indicator of efficiency and effectiveness in collections as well as quality in upstream processes such as billing. DSO that exceeds payment terms signifies aged receivables.
Receivables Aging	The period end value of receivables distributed across a timescale relative to the due date.	Reduce non-current receivables to generate cash and reduce short term borrowing costs and/or program costs	Another traditional key measure of collections, used to adjust the valuation of receivables (and the reserve for bad debt) and to prioritize collection efforts.
Fraud and Abuse Opportunity Value	Periodic value of potential overpayments identified through FAMS	Increase identification of overpayments	The immediate indicator of FAMS effectiveness is its ability to identify incidents of overpayment that are suitable for follow-up
Fraud and Abuse Chargeback Value	Periodic value of overpayments billed	Measure of efficiency in converting opportunity identified through FAMS into value for Virginia	The ratio of chargebacks to opportunity is an indication of efficiency that will depend on the quantity and quality of resources devoted to investigating the opportunity that is uncovered with FAMS.
Fraud and Abuse Collections Value	Periodic value of overpayments collected	Generate cash to reduce program costs	This value is used to measure return on investment in FAMS implementation.

Integration Points

The collections and receivables process is downstream from the billing process and shares the following master data elements:

- Customer account

- General ledger account
- Fund

The collections and receivables process is upstream from the cash management process and shares the following master data elements:

- General ledger account
- Fund

The collections and receivables process is not affected by transactions in the procurement process, since vendor chargebacks are handled through the payments process (accounts payable rather than accounts receivable).

The collections and receivables process can be affected by payroll processes when a receivable must be established for an employee, as, for example, in a situation where a terminated employee has been overpaid. In this case, it is necessary to establish a link between the employee master record and the customer master record, so that the employee debt is recorded on the accounts receivable sub-ledger.

Organizational Impact Considerations

Resources for the collections and receivable process, including FAMS analysis and reporting, will be assigned to the fiscal service bureaus.

Impact on Existing Policies and Procedures

The impact on existing policies and procedures will be limited to the effect of consolidation of agency functions in the fiscal service bureaus.

Other Risks

The Commonwealth Partners have identified in Table 3-44 additional risks associated with the implementation of the proposed solution for the collections and receivables process.

Table 3-44: Risks and Mitigation in Collections and Receivables




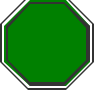



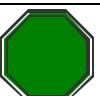
Risk	Mitigation
Agencies lack resources to pursue enforcement and collection opportunities uncovered by FAMS	Use experience of other states such as CA and TX to demonstrate that efforts to seek out fraud and abuse pay for themselves
Agencies will perceive fraud and abuse enforcement efforts as distraction or interference with program delivery	Agencies will buy in if collections from enforcement can be directed to program funding

Improvements, strengths, and weaknesses relative to As-Is process, including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-45 describes how the proposed solution either addresses a weakness, or builds upon a strength.

The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-45: Proposed Solution for Collections and Receivables

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Decentralization of Debt establishment process	No change	NA
		Centralized billing and collection process	Consolidation of collection activity by secretariat in fiscal service bureaus	Retain flexibility and responsiveness in process while achieving cost savings through economies of scale
		Lack of knowledge sharing across agencies	Financial Global Design establishes a common knowledge base across agencies	Enterprise Business Process Model
		Lack of a consistent mandated process	Financial Global Design establishes a common process model across agencies	Enterprise Business Process Model

As with other Finance processes, best business practices for the collections and receivables process included standardized process design, common technology and databases, and real time, online processing.

The due diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-46 shows how our proposed solution for the collections and receivables process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-46: Process Improvements for Collections and Receivables

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Centralization of common functions	Enterprise Business Process Model allows for operational flexibility within a framework of fundamental business process rules
Better integration of systems supporting the collections process	Supporting ERP technology maximizes business process integration opportunity
Productivity	
Improve reporting and tracking capability	Financial Dashboards built on a common ERP data model
Service Delivery	
Increased staffing	Economies of scale achieved through fiscal service bureaus will relieve staffing pressures

Re-engineering and Re-solutioning Opportunities

The Commonwealth-wide implementation of ERP offers some opportunity in the collections and receivables process; however, unlike the FAMS implementation, the benefits of ERP will be primarily non-financial. No significant savings are anticipated through implementation of ERP for collections and receivables per se. However, the non-financial benefits include:

- Common process design and knowledge base, allowing for portability of skills across agencies
- Common data model for consistency and comparability in reporting
- Standardized reporting tools
- Elimination of reconciliation effort

3.2.5 Payments

Process Narrative

The payment activity includes disbursements of state funds via a variety of mechanisms to private individuals, state agencies, local governments, and the private sector to pay for goods and services, or to distribute entitlements, benefits, grants, subsidies, loans, or claims.

The Commonwealth Partners' solution focuses on the payment for goods and services. The payments process for goods and services, though often viewed as a stand-alone process, is actually connected directly to the procurement process. The Commonwealth makes payments when it receives the goods or services it has purchased. Consequently, our solution for payments is linked to the Commonwealth's procurement process and systems that support it.

The re-engineering solution comprises three parts:

- **Technology** – An executive branch ERP
- **Organizational** – Increase use of fiscal service bureaus
- **Process** – Automated two-way and three way matching

Combined these components enable the Commonwealth to process payments using fewer FTEs resulting in significant savings over time.

Technology: The technology component for our solution is an executive branch ERP. The executive branch ERP is based on a global blueprint with single chart of accounts; it supports consistent processes and integrates with the enterprise procurement application -- eVA. Enterprise-wide policies and procedures will be built into the ERP implementation, thereby providing for a common foundation, (a common electronic work flow) for the payment process.

Organization: The organizational component of the Commonwealth Partners' proposed solution for the payments process requires changes in the way the Commonwealth staffs and supports the payment process. Our solution envisions the creation of six fiscal service bureaus initially. They would be organized primarily around the Secretariats to provide payment processing support for executive branch agencies. By implementing this solution, the Commonwealth can reduce the

number of FTEs devoted to the payments process statewide. This recommendation calls for the reallocation of FTEs from agencies to fiscal service bureaus. The location of these fiscal service bureaus would ideally be at the Secretariat level, with the smaller Secretariats being grouped together and served by one fiscal service bureau.

The fiscal service bureau concept is not new to the Commonwealth, but in the past numerous obstacles have preventing it from working on a broad scale. One of those impediments is the variation in processes among the agencies, which we will mitigate through the implementation of an enterprise ERP for finance.

Process: The process component of our solution entails the implementation of more efficient processing in the matching of vendor invoice with receiving documents and the purchase order – also known as three-way matching. The integration of the ERP with eVA, along with process changes, will enable on-line three-way and two-way matching. (Two-way matching occurs when there is not a purchase order, as is the case with utility payments.)

Many components of the payment process do not change with a common executive branch ERP. Predecessors to the process, such as a request for payment, and successors to the process -- a check or electronic payment -- remain the same. The inputs, as measured by the staff resources devoted to the process, change with the proposed solution. By eliminating manual processes and leveraging efficiency from volume processing, the resources required to operate centralized fiscal service bureaus are far less than those required to carry out the process in a decentralized fashion.

Table 3-47 shows a summary of the characteristics of the proposed process environment.

Table 3-47: Process Characteristics for Payments

Characteristic	Under proposed Solution
Inputs and predecessors	Staffing inputs are reduced significantly over the seven-year project period, going to 258 FTES from an estimated 331. The predecessors remain the same.
Outputs and successors	The outputs and successors for this process remain the same – a check or EDI payment.
Process owner	The new payment process would be owned by the Fiscal Service Bureaus organized by Secretariat
Resources	Fewer human resources will be required for processing payments
Process orientation	Centralized
Process placement	In-sourced

Ownership of the payment process transfers from each agency to a series of fiscal service bureaus organized by Secretariat. We would recommend six service bureaus, which in some cases would include more than one Secretariat. For example, the Finance, Administration, and Technology secretariats could be served by one fiscal services bureau.

Process Objectives and Key Performance Indicators (KPIs)

The key process objectives for payments are accuracy and timing. Vendors want their payments as soon as possible but at least within the guidelines set by the Prompt Payment Act. Other performance measures are listed in Table 3-48.

Table 3-48: KPIs for Payments

Measure	Definition	Goal	Comments
Accuracy of payments	Percent of payments that do not require a subsequent adjustment based on an error by the Commonwealth.	99.5%	The Commonwealth does not now track this number across Executive Branch Agencies.
Cost	The average cost per transaction	Reduce by 50 percent	Benchmark data from the private sector suggests that the Commonwealth rate of approximately \$13 per transaction (unburdened) is high relative to best practices.
Efficiency	The number of payment transactions processed per month per FTE	50 % increase over current average level of 321	Some agencies have already exceeded the 321 rate by a significant amount.

The re-engineered and re-solutioned process is designed to reduce the opportunities for error automate steps in the process and take advantage of consistent processing and economies of scale.

Integration Points

The payment process shares key integration points with other enterprise applications in the Commonwealth. With eVA, the payment process through the ERP shares an item master and vendor list. The item master would also be shared with inventory accounting and equipment management. Other significant integration points between the commonwealth-wide financial system other enterprise system will have impact on payments. These include the following:

- Commonwealth-wide HR/Payroll system
- Equipment management system
- Facility management systems
- Warehouse management system
- Procurement system (eVA)
- Fleet management system
- Inventory management system

In addition to these interfaces, the executive branch financial system would still maintain integration points with agencies in the other two branches of government, with higher education institutions, and with other independent agencies.

Organizational Impact Considerations

The organizational impact of this re-engineering proposal is significant. The proposal requires changes in roles and responsibilities, the creation of new organizational units, and the reallocation or reduction of staff. These changes accompany changes in the payment process that require that Commonwealth employees learn how to use the payment features of the new ERP system.

Table 3-49 shows the proposed fiscal service bureaus and the Secretariat they would serve.

Table 3-49: Proposed Fiscal Service Bureau and Secretariats

Fiscal Service Bureau	Secretariats and Agency Groups Served
1	Administration Finance Technology Independent Agencies Executive Offices
2	Commerce and Trade Agriculture and Forestry Natural Resources
3	Health and Human Services
4	Public Safety
5	Transportation
6	Education

As the Commonwealth moves closer to the goal of having one executive branch ERP, we would recommend further consolidation of fiscal service bureaus into one executive branch fiscal services bureau.

Impact on Existing Policies and Procedures

With the streamlining of the payment process and the organizational changes from implementing centralized fiscal service bureaus, we would anticipate some changes in procedures. The changes in procedures would be designed to take advantage of the ERP technology. Commonwealth-wide policy regarding roles and responsibilities for payments would be affected as well.

Other Risks

The Commonwealth Partners have identified in Table 3-50 the risks associated with the implementation of the proposed solution for the Payments process.

Table 3-50: Risks and Mitigation in Payments













Risk	Mitigation
The creation of new organizational units will generate some conflict and concern among agencies.	Our solution includes a comprehensive change management and training component
A significant portion of accounting and finance staff are near retirement. They may leave rather than learn a new system	Implement a training program on modern systems which increase attractiveness of working for the Commonwealth
Agencies will resist supporting a centralized service delivery mechanism	Phased rollout schedule will demonstrate effectiveness of solution and win converts.
Agencies may not agree to the changes required to create consistent payment process across the Executive Branch.	Global blueprint will include broad participation by agencies. Everyone will be able to contribute to the solution.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section compares and contrasts the relative strengths and weaknesses of the To-Be environment to those described in the As-Is process environment. The Green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. The table describes how the proposed solution either addresses a weakness, or builds

upon a strength in the Commonwealth's payment process. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-51: Proposed Solution for Payments

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		95% compliant with Prompt Payment Act	Greater visibility centrally to manage this metric and potentially improve on it.	NA
		Automated interfaces between CARS and agency financial systems	Fewer interfaces will be needed	NA
		Vendors receive separate checks by agency	ERP enables receipt of one check from multiple agencies	Improved customer satisfaction.
		Numerous reconciliation efforts	Reconciliation efforts are reduced when fewer systems are supporting financial management commonwealth-wide	Steps for reconciliation will change or be eliminated.
		Multiple systems used to process payments	ERP would provide one system to handle all payments	Re-engineer to adopt consistent commonwealth-wide processes.
		Process can be delayed by manual process steps	ERP would automated many of the payment process steps	ERP solution offers opportunity to eliminate manual steps in financial processes.

The creation of consistent processes commonwealth-wide supported with a single ERP application provides the Commonwealth with an opportunity to create a large fiscal services bureau for handling payments. The efficiencies that some Virginia agencies have already achieved in payment point the way to more efficient processing commonwealth-wide.

Table 3-52: Process Improvements for Payments

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Integrate the procurement, ordering, receiving, and payment systems	The ERP system integrated with eVA achieves a seamless process from requisition to issuance of check.
Implement a single vendor ID commonwealth-wide	Proposed solution implements a single vendor ID integrated with eVA
Implement real-time processing instead of batch	Executive branch ERP provides for real time processing.
Productivity	
Change CARS interface to summary level to eliminate some detailed reconciliation	Many reconciliation processes would be eliminated with an enterprise financial solution. Most financial information would reside in one system rather than being duplicated in numerous ERPs at several different commonwealth agencies.

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Service Delivery	
Provide an easier method for recurring payments	The proposed solution provides a method for automating recurring payments.
Combine all payments across all agencies to each vendor	With executive branch agencies using one ERP system, payments could be coordinated and issued in one check.
Accountability	
Encumber purchase orders	Accountability can be managed to a lower level in an agency with the ability to encumber funds. The proposed ERP solution would bring encumbrance accounting to all agencies.
Costs	
Best Practice – Automate payments and the use fiscal service bureaus to handle processing reduce cost of payments process	The proposed ERP solution established standardized processes based on automated workflow. Our solution calls for the creation of a fiscal services bureau that would handle all payments.
Benefits – Financial	
Best Practice – Enable two-way and three-way automated matching	The ERP solution integrated with eVA provides the basis for automated matching. Implementation of standards and changes in business processes can result in more efficient payment processing.
Benefits – Non Financial	
Best Practice – Provide visibility into the payment process	Our proposed solution integrates an executive branch ERP with eVA. With these two commonwealth-wide systems integrated, central agencies can monitor and manage state purchasing goals such as the utilization of local, small, women-, and minority-owned businesses.

3.2.6 Reporting and Information

This section describes how the Commonwealth Partners' proposed solution affects the reporting and information process. The description covers topics ranging from how the process flow will change to the risks and organizational impacts that may result. The section concludes with a chart that presents the strengths and weaknesses of the As-Is environment and indicates how the To-Be environment addresses them.

Process Narrative

Under our proposed solution, the Commonwealth's reporting and information process will operate more efficiently. Reports will be requested remotely, on-line and generally will not involve technical staff. In the To-Be environment, end-users have more control over the reports they request and more flexibility to create reports that meet their specific needs.

The proposed process is generally the same in the To-Be environment as it is in the As-Is environment. The process is largely driven by the information requirements of decision-makers throughout Commonwealth government.

The inputs and outputs to the reporting and information process will change to some degree in the new environment. The major input to the reporting process is the information maintained in the Commonwealth's various financial accounting systems, CARS in particular. The ERP solution allows the Commonwealth to capture more information at a more detailed level and with

more consistency across the executive branch, using fewer separate systems. The labor inputs are expected to decrease as more information is kept in one system and reporting capabilities are enhanced. The outputs from the process improve. They have more detail and can be designed to meet specific management information needs.

The predecessors and successors remain the same. The predecessor to the reporting and information process is management's need to know or to report. The successors are action steps based on that information. The overall impact is reflected in a reduction in the resources needed to support the reporting and information functions and decision-making based on better information. Table 3-53 is a summary of the characteristics of the To-Be process environment.

Table 3-53: Process Characteristics for Reporting

Characteristic	Under Proposed Solution
Inputs and predecessors	Information is maintained in fewer financial accounting systems and fewer FTEs are required to support the process.
Outputs and successors	Reports, dashboards, decision-making based on improved information.
Process owner	All agencies
Resources	The report process will require fewer technical resources than are required now to support requests for reports.
Process orientation	Decentralized
Process placement	In-sourced

The process owner is dispersed through out state government, as each authorized user has more control over defining and creating his or her reports.

Process Objectives and Key Performance Indicators (KPIs)

The key process objective for management reporting and information is user satisfaction. Commonwealth executives and management want reports that are usable and clear. The performance of the reporting function could be measured by the frequency with which a report is used. However, if the report is the only one of its kind, it would be difficult to tell from utilization statistics whether or not it could be improved. To measure the process objectives of financial reporting, it would be useful to assess the number of resources devoted to issuing the Consolidated Annual Financial Report (CAFR) each year and solicit feed back from end-users.

Table 3-54: KPIs for Reporting and Information

Measure	Definition	Goal	Comments
User satisfaction	The extent to which end-users request and use reports available through the new ERP	80% user satisfaction	Many agencies are currently happy with Reportline. Reportline, however, is limited to information in CARS. The proposed ERP system would have a larger base of information on which to report.
Time required to report financial results	The time between closing the books for a period and reporting financial information	10 – 20 % reduction from current performance	Commonwealth beats the 180 day Governments Financial Officers Organization (GFOA) target by close to a month.
Efficiency	The number of FTEs required to produce annual and interim financial reports	10 % reduction from current performance	Inconsistent processes, lack of automation has made the process cumbersome and inefficient in the past.

The re-engineered and re-solutioned process for reporting rests on the implementation of the commonwealth-wide ERP. With a statewide, integrated system central reporting capabilities are greatly enhanced.

Integration Points

The reporting and information process shares integration points with accounting and other financial processes through the commonwealth-wide chart of accounts. The proposed dashboard solution is based on interfaces with the legacy systems as well as with the new systems proposed in the Commonwealth Partners' solution. Agency-based dashboards report information from the ERP and from other enterprise systems. Other systems that could provide information for the dashboards through interfaces include the following:

- Commonwealth-wide HR/Payroll system
- Enterprise equipment management system
- Enterprise facility management systems
- Enterprise warehouse management system
- EVA
- Enterprise fleet management system
- Inventory management system

In addition to these interfaces, the executive branch financial system would still maintain integration points with agencies in the other two branches of government, with higher education institutions, and with other independent agencies. These integration points would be based on a commonwealth-wide chart of accounts.

Organizational Impact Considerations

Aside from the reduced effort required for reporting, we do not anticipate any significant organizational impacts resulting from the Commonwealth Partners solution for the reporting and information process. The reporting and information process affects the Department of Accounts and finance staff throughout the executive branch agencies primarily. Once Commonwealth employees are accustomed to the new ERP, financial reporting will require less effort. We do not expect organizational changes will result from the improved reporting and information process.

Impact on Existing Policies and Procedures

The proposed ERP solution should have little impact on existing policies and procedures in the near term. The Commonwealth's external financial reporting is governed by independent bodies and its internal reporting is governed by management requirements. Management requirements may change as management sees that more information is available and in different formats, but this impact should not be significant.

Other Risks

The Commonwealth Partners has identified in Table 3-55 the risks associated with the implementation of the proposed solution for the Reporting and Information process.













Table 3-55: Risks and Mitigation for Reporting and Information

Risk	Mitigation
End-users will resist changing from Reportline to a new reporting system	Our solution includes a comprehensive change management and training component to address this type of resistance.
New processes will need to be created to gather information for producing the CAFR	We propose to create a Center of Excellence to maintain a focus on continuous improvement. The Center of Excellence would assist the Commonwealth in identifying new business processes that leverage new technology and address changing customer demands.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section compares and contrasts the relative strengths and weaknesses of the To-Be environment to those described in the As-Is process environment. The Green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-56 describes how the proposed solution either addresses a weakness, or builds upon a strength in the Commonwealth's reporting and information process. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-56: Proposed Solution for Reporting and Information

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		CAFR reporting is complex and time consuming	ERP would simplify CAFR preparation and reporting for those agencies that are on the ERP	Migration of all reporting to ERP backbone
		Variety of mission specific reporting tools	ERP would provide robust reporting tools for use commonwealth-wide.	Direct entry into ERP financial system
		GFOA Certificate	No Change	NA
		Security of data/internal controls	No change	NA
		Reportline is used by some agencies to meet their reporting needs	ERP would include more robust reporting capabilities	The reporting process would continue to be more user friendly.
		Automated interfaces to CARS	With an Executive Branch ERP fewer interfaces would be needed	Integrated solution eliminates manual process to compile information for financial reporting

Both the ERP implementation and the financial dashboard project contribute to creating the To-Be process environment for reporting and information. No significant savings are anticipated through re-engineering the reporting and information process. The improvements that will result and the benefits that will be realized are significant. Table 3-57 illustrates how our proposed solution addresses many of the Commonwealth suggestions for improvements and industry best practices.

Table 3-57: Process Improvements for Reporting and Information

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Best Practice – Give capability to produce reports to the end-user	Our ERP solution includes many standard reports that are easy to use.
Productivity	
Replace CARS with a fully functional web-based system - one that is more user friendly.	Modern ERP systems make extensive use of the Web and web browser navigation making them more user-friendly than earlier generation financial accounting systems.
Service Delivery	
Increase capabilities of Reportline	An executive branch ERP maintains several databases from which a wider variety of reports can be produced than are now available.
Accountability	
Best Practice – Make Information easy to obtain and widely available.	With our solution, reports provide more information about the entire enterprise and are easy to use. Mutual accountability should be enhanced.
Costs	
Best practice – Create reports to help manage specific categories of costs.	With the proposed solution, cost information for the Executive Branch agencies is kept centrally and can be reported and managed centrally and at the agency level.
Benefits – Financial	
Best Practice – Give end-users the authority to create a variety of reports	Running reports requires few if any technical staff. This reduces costs and frees up resources for higher priority activities.
Benefits – Non Financial	
Best Practice – Make more and better information available to support decision-making	Our solution creates a more comprehensive financial database from which reports can be created to support decision-making.

3.2.7 Financial Management Conclusion

Commonwealth Partners believe that the case for change in Financial Management is compelling. We have highlighted the strengths and weaknesses of the Commonwealth's As-Is environment, and we have presented a future state vision that preserves the best of the old while uncovering significant opportunities for business process improvement. In order to maintain its competitive edge, and retain nationwide recognition as the best-managed state, the Commonwealth must address the shortcomings of the As-Is environment, while leveraging its strengths and advantages. The key theme in building the future state is business process integration. Our recommended approach is the Finance Global Blueprint, with a state-of-the-art ERP solution as the enabling technology. Other large states, including Pennsylvania, Ohio, North Carolina, Georgia, and Florida, have already embraced the challenge of re-engineering and re-solutioning and have embarked upon similar initiatives. We look forward to working with the Commonwealth's team to make Virginia's effort a standout success.

3.3 Human Resource Management

This section includes a discussion of the proposed re-engineered and re-solutioned HR processes. Its purpose is to illustrate and explain fully a target process environment that is appropriate for the Commonwealth.

To address the opportunities for re-solutioning and re-engineering identified in Section 2.3 - As Is Processes for Human Resource Management, the Commonwealth Partners team is proposing:

- Common HR business processes across the agencies
- Enabling technology
- ERP application
- Supporting interfaces
- HR Dashboard
- Reorganization of administrative activities into an HR Service Bureau
- Establishment of a Center of Excellence to support continuous improvement

Target Environment

The target environment can be described by its effect on three factors: process, technology and people. Our proposed solution for the Human Resource Management processes will bring about changes in all three of these areas.

Process

The proposed solution envisions a process environment where redundant data entry is eliminated, manual steps in a process are automated and approvals are on-line. The desired process environment is based on looking at current processes and recognizing where technology can improve them. It also recognizes that some process improvements can be effective without the introduction of new technology.

To derive the maximum benefits from an enterprise application for HR, processes must be consistent across agencies where possible. As discussed in Section 2.3, today that is not the case.

- For many of the Commonwealth HR processes, the form of the process, the inputs and outputs and the supporting technology are defined and developed on an agency by agency basis and are not consistent across the Commonwealth, even across parts of the process that are not driven by differences in the businesses of the Agencies.
- Agencies have developed numerous shadow systems to support processes as they have defined them as well as supplement data gaps to support their processes. Some processes

such as Evaluation define an overall result but leave the manner in which that result is achieved up to individual agencies.

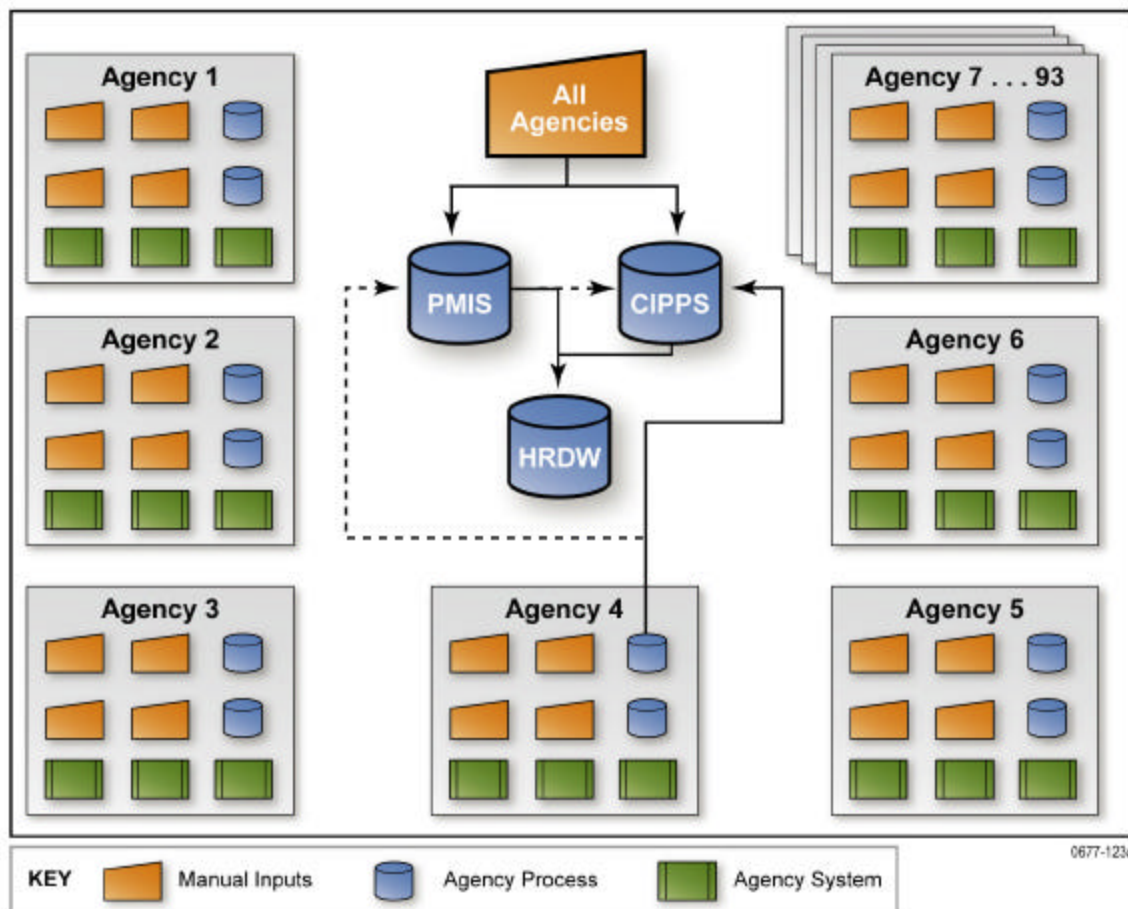
Our proposed solution includes implementing an Enterprise Center of Excellence to define and sustain business processes and support continuous improvement of those processes and working with Commonwealth agencies to define accommodations for required agency differences within the enterprise application.

Technology

As shown in the As-Is Process Decompositions in Section 2.3, today the Commonwealth HR processes are supported by a wide variety of systems and agency-specific processes. There are many issues with lack of integration, duplicate data entry and lack of access to desired information.

A map of the environment at a high level could be represented as follows:

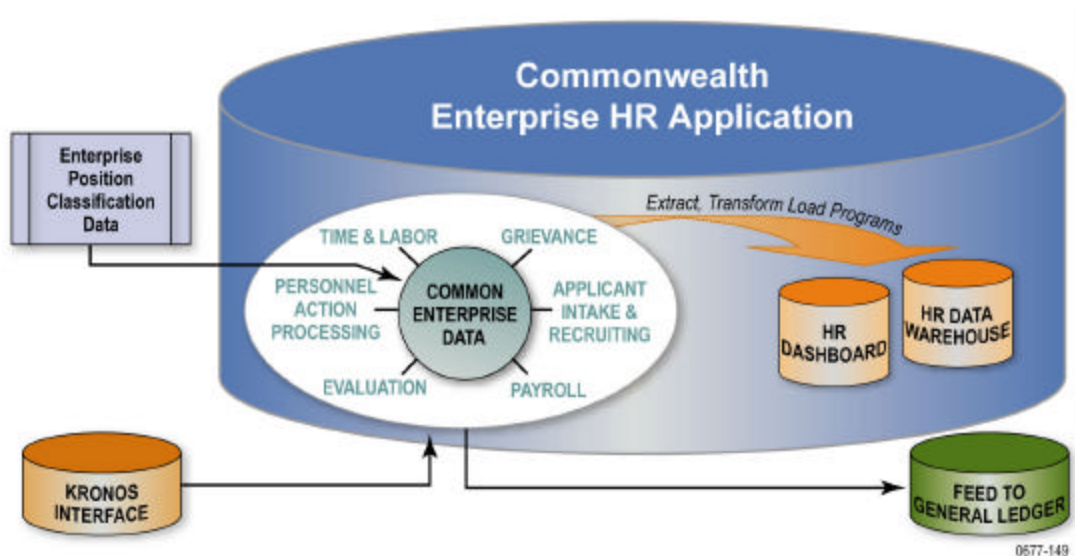
Figure 3-28: As-Is HR Application Map



All agencies share certain automated human resource management needs, which with sufficient participation, planning and change management, can be accommodated in one application, on one set of hardware and in one location. With the implementation of an enterprise application to

support HR processes, the Commonwealth can move to an application map which is integrated, shares data across processes without the need to create interfaces to do so and permits Agency differences to be addressed within the application while at the same time driving common, more efficient processes. At a high level, the proposed new enterprise application map is represented in Figure 3-29.

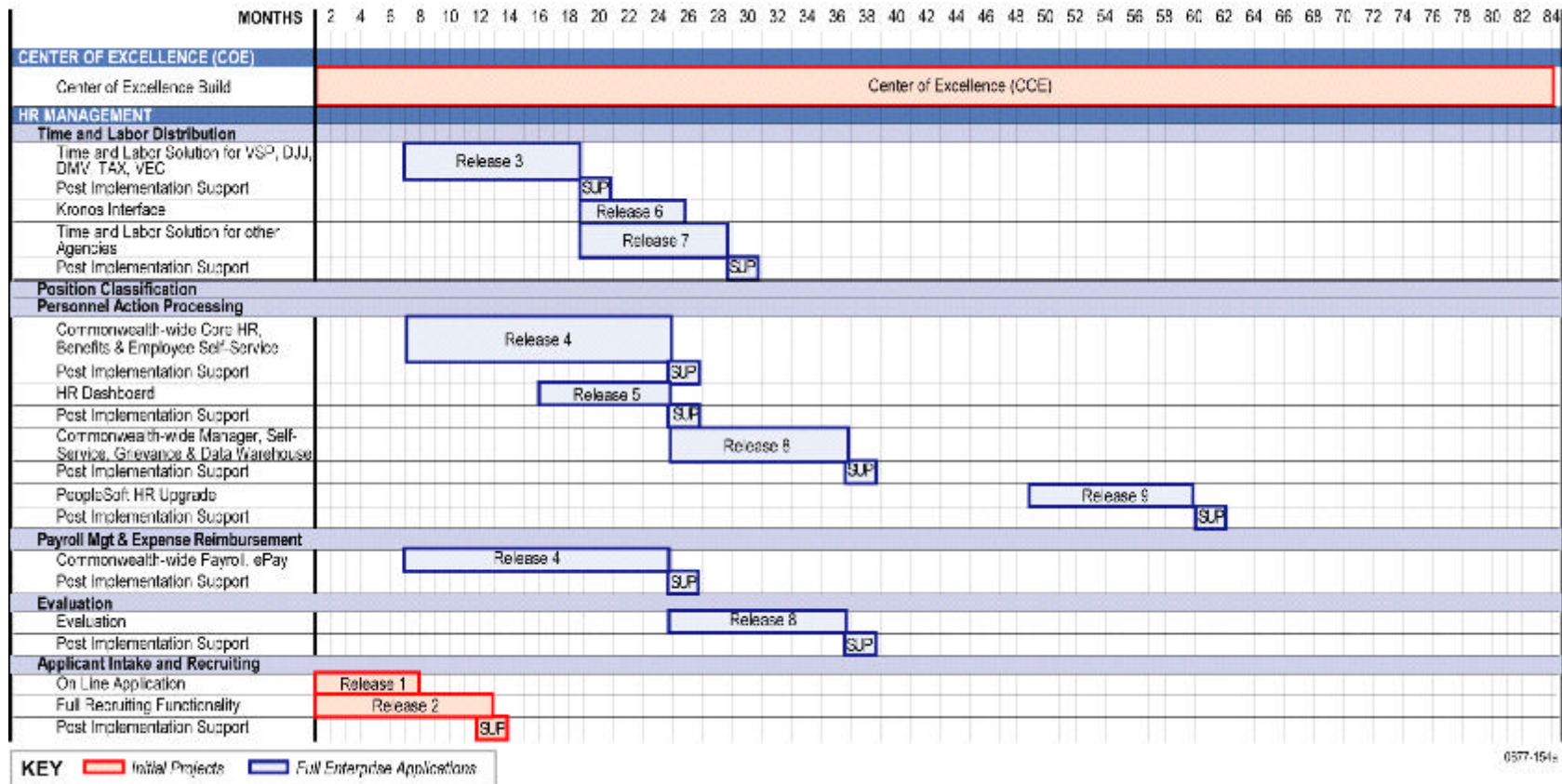
Figure 3-29: Proposed HR Application Map



Achieving this vision will be a multi-step journey, involving making changes to existing processes, implementing new technologies to support those processes and redefining the roles of some people involved in those processes as well as the organizations which support the processes.

Figure 3-30 is the proposed overall technical solution map for HR which supports this application map. The individual application modules and add-ons included within it are described on a process by process basis in the sections that follow.

Figure 3-30: HR Solution Map



Note on HR Solution Map: Releases are numbered in chronological order of the release month. Projects which start and finish in the same month are treated as a single release and share Release numbers. Projects which start in a later month and release at the same time as another project have the next subsequent release number.

From a technical perspective, the proposed HR Solution implements in scope HR processes in a single, enterprise wide Commonwealth HR system, PeopleSoft, over a period of four years. The implementation of PeopleSoft for multiple HR processes integrates data across those processes, reduces the numbers of interfaces required to support HR, eliminates the need for shadow systems within the Agencies to support functionality required but not delivered in the current enterprise systems, significantly reduces duplicate data entry and decreases hardware and software maintenance costs for HR systems across the Commonwealth. The Commonwealth processes included in the scope of this proposed solution are:

- Time and Labor Distribution (Releases 3, 6 and 7)
- Personnel Action Processing (Release 4)
- Payroll Management and Expense Reimbursement (Release 4)
- Evaluation (Release 8)
- Applicant Intake and Recruiting (Releases 1 and 2)

Benefits was not one of the included processes of the due diligence effort. However, benefit deductions and elections must be collected as part of the PMIS replacement. Therefore, the proposed solution includes the implementation of the PeopleSoft Benefits Administration module as part of Release 4. At this time, we are not proposing that the full functionality of Benefits Administration be implemented. Rather, the team is proposing enough functionality is implemented to permit the retirement of the Benefit Eligibility System (BES) for which Payroll staff manually enters data. The Commonwealth will have the ability to implement greater functionality as part of other projects separate from this proposal should it desire to do so.

While Position Classification was included in the scope of the due diligence effort, at this time we are not recommending a new system solution for the Commonwealth for the following reasons:

- This process is an area of particular strength for the Commonwealth. Only two significant opportunities for improvement were identified by survey respondents: lack of automated access to outside salary survey information and lack of availability of automated Employee Work Profiles across agencies.
- PeopleSoft's Position Management module is a complex and expensive implementation requiring a high degree of organizational change and is difficult to maintain successfully once implemented.
- The module does not provide automated access to outside salary survey information.

- Other modules and re-engineering opportunities proposed in our solution will make Employee Work Profiles available in an automated fashion to support the Position Management process.

Additionally, the data gathered in the due diligence process does not support a business case for the implementation of a system for this process. Therefore, our recommendation is that the existing Position Classification system remains in place. The implementation team will work with HR to define appropriate security roles to permit the viewing of Employee Work Profiles across agencies during the Enterprise HR, Payroll and Benefits Administration release as well as include the development of any required interfaces on a process by process basis. For example, job descriptions could be fed to the requisition sub-process within the Applicant Intake and Recruiting process if they exist in a useable form in an existing system.

The PeopleSoft implementation also includes the deployment of employee (Release 4) and manager self-service (Release 8). The nature of transactions included in the Scope of employee self-service is not particularly complex and does not involve a chain of approvals of the development of complicated rules. Therefore, it is easily included in a release of Enterprise HR, Payroll and Benefits functionality. Manager Self-Service functionality is considerably more complex. Each transaction must have all the rules of who can approve what, at what levels and who is the next level of approval must be defined. The Commonwealth Partners team over time has developed an approach based on lessons learned where the functionality is released first and the self-service for manager transactions follows in a later release. Because of the significant benefit to be gained from manager self-service, our proposed solution calls for the inclusion of Manager Self-Service in the first release after Enterprise HR, Payroll and Benefits functionality. These modules will make it possible for existing HR resources within the Commonwealth to shift their focus from the administrative processing of transactions to more strategic activities as well as reduce the total headcount required to support all the HR transactions across the Commonwealth.

The proposed solution includes the development and deployment of an HR Dashboard (Release 5). This implementation is timed to coincide with the release of Enterprise HR/Payroll/Benefits Administration functionality and Employee Self-Service (Release 4). The team believes this is the optimal time to implement enterprise-wide metrics as the shared enterprise data necessary for the dashboard is complete and available for the first time at a single enterprise system.

The team's proposed solution proposes the addition of Grievance Management functionality and the replacement of the existing HR Data Warehouse with one integrated with PeopleSoft as Release 8. We have chosen Grievance Management for inclusion in this release as there is currently no common system to manage this function across the Commonwealth and our team's implementation with other state agencies has found this is a natural next step in incorporating functionality within the enterprise system. We are also proposing to replace the existing HR Data Warehouse at this time to take advantage of the data model, reporting capabilities and integration with the PeopleSoft delivered module. This implementation will eliminate the need to interface with a non-integrated system and will grow with the Commonwealth as it adds functionality to

the enterprise system or changes approach and philosophy. It will also eliminate the need for separate systems and infrastructure to support a separate data warehouse.

Beginning in the fifth year, the solution calls for an upgrade of the PeopleSoft product to the fusion product currently in initial stages of development within Oracle (Release 9). The exact timing of this release is dependent upon the release schedule for the fusion product but will not occur before year five of this proposed solution.

As discussed later in the IT Tower To-Be Process Section, the proposed solution includes the outsourcing of the application management services to the Commonwealth Partner's to further reduce the maintenance costs associated with the solution. The full details of the approach are included in Section 3.5 of the COVA Opportunities for Re-engineering and Re-Solutioning Proposal.

People

The vision for re-engineered and re-solutioned human resource managed processes is not complete without a discussion of changes to the human resources that interact with the systems.

Commonwealth Careers

In general, employees of the Commonwealth think of themselves as employees of the agencies for which they work. Their experiences interacting with the human resource management applications, tools and processes support this notion. With the implementation of an enterprise application for human resource management, the Commonwealth has an opportunity to change that mindset. There is tremendous benefit to the Commonwealth in doing so. Cost of hire could be reduced by finding the best resources within the Commonwealth to fill more senior vacancies and only looking to the external applicants for more junior positions. Succession planning could be enhanced by looking across rather than within agencies. Loyalty to the Commonwealth could be enhanced by greater opportunity for personal development and career progression by making opportunities visible across the Commonwealth.

The proposed HR solution calls for a shift in thinking about Commonwealth employment and data. Based on stated desires in the due diligence surveys and a real move toward enterprise management of human resources, we are proposing the treatment of staff as both Commonwealth staff and agency staff. Today while the PMIS and CIPPS systems treat employees as Commonwealth employees, the agencies themselves have no visibility to the entire employee record due to security restrictions. Internal openings are only available to employees of that agency and employees must apply to other agencies as external applicants. Position classification experts cannot view salary data across agencies. This approach adds administrative work to the processes that could be eliminated. With a single enterprise HR system for all the in scope HR processes and facilitating the required policy and culture changes, the Commonwealth could easily achieve a wide variety of both financial and non-financial benefits.

HR Service Delivery

Opportunities exist for improving HR service delivery.

- The existing enterprise-wide applications Personnel Management Information System (PMIS) and Commonwealth Integrated Personnel and Payroll System (CIPPS) do not support all the data and information needs of the agencies, are not fully integrated and require duplicate data entry.
- Our analysis of the staffing levels reported in the surveys indicates that in general levels of staff applied to HR processes in individual agencies is not higher than expected with the existing processes. Better practice in HR for all industries is to consolidate the support of HR transactions in an HR service bureau.
- While staffs supporting PMIS and Payroll have been organized into bureaus that support transactions for the agencies who participate in use of their systems, limited self-service is available to support the transactions for which they are responsible and there are not enough interfaces from other systems to eliminate the re-keying of data currently required. Implementation of full employee and manager self-service for routine transactions has been shown to reduce the number of total transactions handled by HR staff to approximately 20 percent of the number handled under the current process and service delivery model.
- The lack of an effective enterprise system to support non-Personnel Action Processing and Payroll transactions, has led to the implementation of other systems and processes to support these needs within agencies. The implementation of these additional systems has led to additional duplicate data entry, additional data feeds and great lack of integration within and across systems.
- There is a significant lack of required Commonwealth-wide data as well as a lack of confidence in that data. The HR Data Warehouse brings together some data but is not used effectively to drive Commonwealth-wide metrics. Additionally, agencies using systems other than PMIS cannot be compelled to provide the data as noted in the Auditor of Public Accounts Special Review of Payroll and Human Resource Systems Report dated October 2004.
- The Commonwealth is also lacking the needed information to effectively manage HR processes across the Commonwealth. Better practice calls for the development and deployment of HR Dashboards and metrics. Attempts to get to reconciled Commonwealth-data are manual and time consuming. As a result, there are no Commonwealth-wide metrics for HR and no baseline from which to drive improvement and no ability to develop metrics frequently enough to support process improvement in existing systems and approaches. There are some agencies which have developed dashboards across multiple processes, not just HR. However, these are not rolled up to Commonwealth-wide metrics and are not common and consistent across the Agencies that have them.

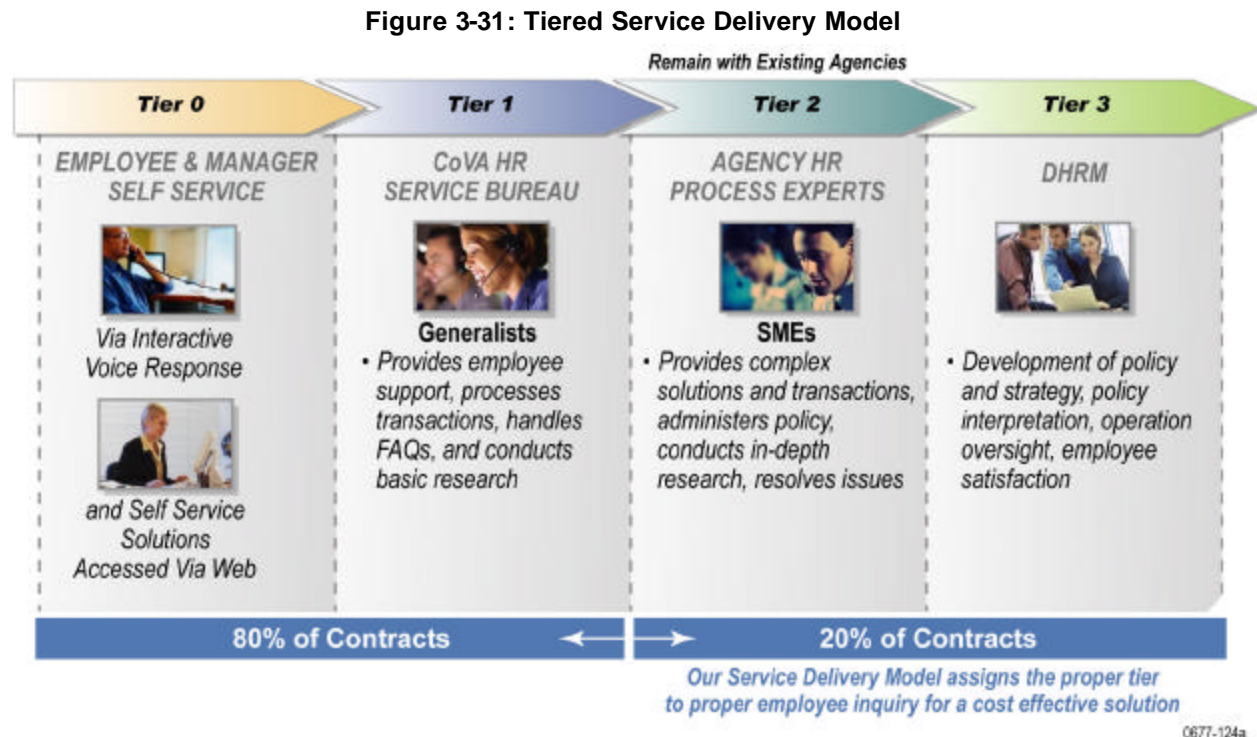
Proposed Model for HR Service Delivery

We are proposing the following approach for organizing to deliver HR services for the Commonwealth of Virginia:

- Use self-service to reduce the need to support routine HR transactions.

- Organize non-Payroll staff that supports transaction processing into an HR Service Bureau under the leadership of DHRM.
- Leave Payroll transaction support within the Department of Accounts. However, the Commonwealth should consider co-locating the staff.
- Leave agency process experts within their existing agencies to support the agency in the delivery of HR policy and practice, consult with managers on complex HR issues and assist the HR Service Bureau in the resolution of complex questions and transactions.

Figure 3-31 depicts this proposed model.



As shown in the diagram above, the proposed HR service delivery model:

- Uses self-service for the handling of routine transactions and questions. This layer is called Tier 0. At least 65 percent of transactions handled today by HR personnel are expected to be handled through self-service.
- Staff who need help that cannot be handled through the self-service applications contact the HR Service Bureau which forms the Tier 1 level of service. The HR Service Bureau is composed of staff from all the agencies that currently support the execution of HR transactions but are not deep subject matter experts in HR processes and policies.
- Tier 2 is designed to support more complex transactions, policy and legal matters, etc. Access to this Tier comes from Tier 1 staff. The subject matter experts in this Tier remain in their existing agencies and consult with the agency on the application and execution of HR policies and practices within their realm of expertise.

- The final tier, Tier 3 is composed of staff that set HR policy and direction for the Commonwealth agencies and across the Commonwealth. This tier is housed within DHRM as this is the mission of DHRM.

In forming the HR Service Bureau, we are recommending a two-phased approach.

Phase 1

Until the formation of the HR Service Bureau, we recommend that HR staff supporting processes improved by an HR enterprise application implementation be focused on new more strategic tasks or, if the skill set warrants it, re-directed to Agency mission focused tasks. This will allow the Commonwealth to realize the process savings associated with each implementation immediately without the need to address the organizational impacts associated with the formation of the HR Service Bureau. The processes and releases that will follow this approach are:

- Time and Labor Distribution, Releases 3 and 6
- Personnel Action Processing (Enterprise HR, Benefits Administration, Employee Self-Service), Release 4
- Payroll Management and Expense Reimbursement, Release 4
- Applicant Intake and Recruiting, Releases 1 and 2

Phase 2

With the introduction of Manager Self-Service in Release 8, the full benefits of the HR Service Bureau can be realized. By this time, the Commonwealth will also have had time to address the full impact on the organization of the formation of the Bureau. Therefore, our solution proposes the necessary reorganization to form the HR Service Bureau concurrent with Release 8.

As part of the preparation for the re-organization, staff whose work will be replaced by self-service applications and not slated to move to the HR Service Bureau will be redirected to more strategic value added HR tasks or re-tooled for other mission facing jobs within their existing agencies. This approach provides the maximum opportunity to redirect staff without creating a need to necessarily reduce the headcount. To support that goal and in preparation for this move, it is likely that the Commonwealth will need to place a hiring freeze on positions which could be part of this reorganization. Our Change Management Team will work with the Commonwealth on all approaches necessary to both achieve the vision and realize the benefits of the business case. Beyond the reorganization inherent in the formation of the HR Service Bureau, the nature of employee jobs will change significantly. Many HR staff that currently supports a single process will be asked to support general information across the entire spectrum of HR processes. This will be a challenge to manage successfully. Our Change Management Team is prepared to help the Commonwealth through this process. Our proposed solution will include the necessary job re-design, training, help scripts and job aids necessary to succeed in this effort.

In this phase, the Commonwealth and the Change Management Team will need to work together to identify the approach for HR processes which are not covered within the scope of this

response. It is likely that the Commonwealth can achieve significant benefits not accounted for within the business case by organizing all HR processes within the HR Service Bureau.

The Commonwealth Partners have assisted numerous clients in achieving this model and realizing the benefits associated with it. In the private sector, we have helped many companies including Ford Motor Company, International Paper, The Home Depot, Bristol Myers Squibb to implement similar service delivery models and realize substantial savings in their delivery of HR services. Additionally, we help a large number of clients use the model as part of their transition to business process outsourcing to the Commonwealth Partners.

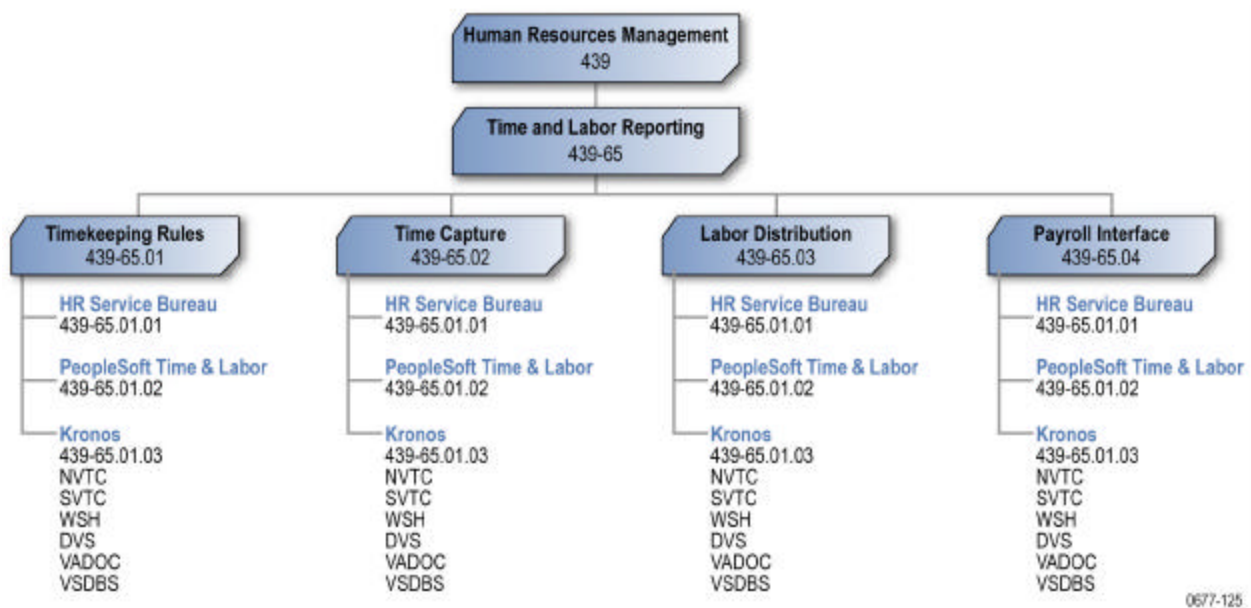
Specifics of the individual to be processes are further outlined in the sections which follow.

3.3.1 Time and Labor Reporting

The team is proposing the implementation of PeopleSoft's Time and Labor module to support enterprise time and labor reporting processes within the Commonwealth.

The new process decomposition to support Time and Labor Reporting is:

Figure 3-32: To Be Time and Labor Process Decomposition



The first release provides new functionality for time reporting to the agencies currently having no system for this process. The release will occur several months before the Enterprise HR, Payroll and Benefits Administration release and will leverage the interface from PMIS to PeopleSoft to populate the core tables which will have been constructed as part of the Candidate Gateway and Talent Acquisition Manager launches. Once the Commonwealth is operational on the Enterprise HR, Payroll and Benefits Administration releases, we will utilize the built in integration inherent in PeopleSoft to maintain those core tables and provide the employee data necessary to support Time and Labor. At the time, the interface from PMIS can be decommissioned.

The proposed solution for Time and Labor recognizes the investment some Commonwealth agencies have made in Kronos and the likely reluctance to transition to the PeopleSoft Time and Labor module. Interfacing between Kronos and PeopleSoft's payroll system is a good compromise for these agencies and ultimately will make the Time and Labor solution less costly to implement. This is a fairly standard interface and The Commonwealth Partners team has a great deal of intellectual capital to leverage to support this effort including specifications and other deliverables from clients such as Home Depot, Anheuser-Busch, and Pennzoil-Quaker State. The interface is planned to go live concurrent with the launch of payroll.

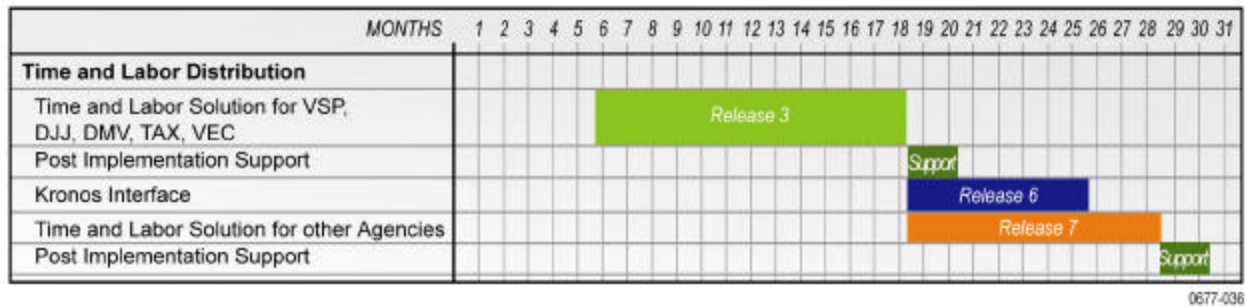
The final release in the proposed solution for Time and Labor Reporting transitions agencies on systems other than Kronos to the PeopleSoft Time and Labor module. We are proposing this approach for several reasons.

- First, those already on other systems have an existing interface to PMIS. It makes sense to leave that intact until the PeopleSoft payroll module is available to interface to. The proposed solution cuts over from existing systems to PeopleSoft four months after the Payroll "Go Live" date. This will transition new agencies to a stable system while minimizing the number of temporary interfaces that need to be developed.
- Second, configuration and design will take less time in the second Time and Labor release. A great deal of the decisions that truly are global will have already been made. The burden of that effort to create the global blueprint is placed on agencies that have no system today and therefore gain the most benefit from making the effort. The agencies included in this release will just need to make the configuration decisions to make the global blueprint work for them.

From a support perspective, the proposed solution calls for the formation of an HR Service Bureau. Time and Labor process administrative support will be ideally located within a single Bureau which services all agencies. This approach maximizes the savings and efficiencies the Commonwealth can achieve.

As envisioned in the proposed solution, the first release of functionality will be to the agencies with no current Time and Labor systems and occurs in month 18. The proposed solution is developed with the belief that those agencies that use Kronos will not transition to the Time and Labor system. Therefore, the next release is a Kronos interface to payroll. It is timed to coincide with the release of the Enterprise HR/Payroll/Benefits Administration implementation as well as the HR Dashboard and occurs in month 24. The last release of the proposed Time and Labor solution is for those agencies that opt to transition to PeopleSoft Time and Labor from their existing solutions. This release is scheduled to occur at month 28.

Figure 3-33: Time and Labor Solution Map



Process Narrative

The inputs and predecessors to the time and labor reporting process do not change nor do the outputs and successors. However, there will be less manual input of transactions and less time devoted to reconciliation. This impact is reflected in the increased efficiency of the resources needed to support the time and labor reporting process. A summary of the characteristics of the To-Be process environment is presented in Table 3-58.

Table 3-58: Process Characteristics of Time and Labor Reporting

Characteristic	Under Proposed Solution
Inputs and Predecessors	<ul style="list-style-type: none"> ▪ Timekeeping Rules <ul style="list-style-type: none"> – Position Classification and Job Description details associated with pay rates – Overtime rules – Shift rules – Holiday rules – Leave rules – Hourly rules – Automatic progression rules – Union contract provisions – Exempt and non-exempt rules – Compensation plan details associated with pay rates ▪ Time Capture <ul style="list-style-type: none"> – Hours worked by employee – Hours not worked by employee and associated reasons – Shifts worked – Holiday schedule – Time Clock outputs ▪ Labor Distribution <ul style="list-style-type: none"> – Completed payroll run – Employee departmental data from Enterprise HR system – General ledger account information – Fringe benefit assessments and indirect cost burdens ▪ Payroll Interface <ul style="list-style-type: none"> – Completed time reports – Timekeeping Rules
Outputs and Successors	<ul style="list-style-type: none"> ▪ Timekeeping Rules <ul style="list-style-type: none"> – Calculations which can be applied to reported time – Payroll Interface ▪ Time Capture <ul style="list-style-type: none"> – Reported hours worked and not worked

Characteristic	Under Proposed Solution
	<ul style="list-style-type: none"> – Payroll Interface ▪ Labor Distribution <ul style="list-style-type: none"> – Charging Instructions for the General Ledger – General Ledger Update – Updated accrual balances ▪ Payroll Interface <ul style="list-style-type: none"> – Time report for payroll system – Payroll processing
Process Owner	DHRM
Resources	Fewer human resources will be required for reconciliation and transaction processing.
Process orientation	Centralized
Process placement	In-sourced

Process Objectives and Key Performance Indicators (KPIs)

The proposed solution is designed to standardize the current multiple Commonwealth Time and Labor Reporting systems and processes to two Commonwealth processes. The result of this standardization will be improvement in the direct key performance indicators associated with the processing of Time and Labor Reporting for the Commonwealth. The identified Key Performance Indicators may or may not be part of what the Commonwealth measures now but are considered to be important in capturing the benefits realization from proposed solution or as a baseline to identify future process enhancements.

Table 3-59: Key Objectives for Time and Labor Reporting Process

Sub-process	Key Objectives
Timekeeping Rules	<ul style="list-style-type: none"> ▪ Standard application of common rules across agencies ▪ Automation of application of rules to time reported ▪ Reduction in time reporting and pay errors
Time Capture	<ul style="list-style-type: none"> ▪ Enable self service and or automated time reporting across the Commonwealth ▪ Automate feed to payroll systems ▪ Eliminate duplicate entry of time ▪ Reduction in special pay and manual payments
Labor Distribution	<ul style="list-style-type: none"> ▪ Automate the distribution calculation ▪ Eliminate duplicate entry of distributions
Payroll Interface	<ul style="list-style-type: none"> ▪ Automate the feed of time information to payroll system ▪ Reduce errors associated with duplicate data entry ▪ Reduce reconciliation time

Proposed Key Performance Indicators

To establish a baseline for realization of business benefits, the Commonwealth Partners propose the following key performance indicators to support the Time and Labor Reporting Process:

Table 3-60: KPIs for Time and Labor Reporting

Measure	Definition	Goal	Notes
Casual Absenteeism Rate	The ratio of the number of days of absences related to casual absenteeism to the scheduled number of workdays	Reduction in Rate	Casual Absenteeism = Unscheduled Absences

Measure	Definition	Goal	Notes
Overtime	Total Overtime Hours Worked	Managed to Budget or Less	
Overtime to Budget	The ratio of overtime worked to overtime budgeted	Ratio <= 1	
Total Absenteeism Rate	The ratio of the number of days absent from work not related to work injuries to the total number of scheduled work days	Reduction in rate	
Time Validation Rate	Number of Time Cards Returned	Reduction in number	
% Manual Checks	Number of off-cycle manual checks	Reduction in number	
Time Data Accuracy	Number of time errors plus number of manual checks	Reduction in total	

Integration Points with Other Processes

The team has identified the following integration points with other processes:

- Enterprise HR data provides the employee and job information to support the Time and Labor module
- Compensation programs provide the pay guidelines to support timekeeping rules
- Union contracts provide pay provisions to support time keeping rules
- Time Capture is fed to payroll systems
- Labor Distribution is fed to General Ledger systems

Organizational Impact Considerations

We believe the best way to organize to support this solution is in a single HR Service Bureau. In this model, all Commonwealth staff supporting the administration of individual HR processes would be transferred to the HR Service Bureau. Individuals would be assigned to support agencies on the basis of workload and expertise. Subject matter experts and policy setters would remain with their existing agencies. This model targets the maximum cost savings and efficiencies for the Commonwealth.

The management of the new and existing applications is centralized and outsourced to IBM's Application Management Service group.

Impact on Existing Policies and Procedures

The team has identified the following impacts on existing policies and procedures as a result of the proposed solution:

- Differences in the application of the same rule across agencies may be discovered and need to be addressed

Other Risks

The team has identified the following risks associated with the implementation of the proposed solution for the Time and Labor Reporting Process:



Table 3-61: Risks and Mitigation for Time and Labor Reporting

















Risk	Mitigation Approach
Errors in the application of timekeeping rules may be discovered that impact past pay	Define key messages and communication strategies ahead of time to address this risk.
Agencies not using Kronos today may elect not to transition to the PeopleSoft Time and Labor module	Some portion of the planned Release 7 implementation costs could be used to build interfaces from existing systems to Payroll and the HR Data Warehouse to continue to support enterprise reporting. Develop contingency plan to support this approach.
Agencies may refuse to support a centralized service delivery mechanism	Work with Change Management Team to define an organization and transition plan to new structure. Begin effort early to develop support for the model and the necessary culture change to make the Service Bureau approach a success. If the Commonwealth cannot make the full transition, develop Service Bureaus at the Secretariat level. This approach will not generate the full level of savings possible under a single bureau but still does generate significant savings for the Commonwealth. It will also be easier to achieve in a shorter time period.
Agencies may be unable to agree to an enterprise process	Use the workshop time to help agencies see points of commonality, understand differences. Be prepared ahead of the workshop with proposals for configuration solutions which will address agency needs while at the same time driving toward a common process.
Existing staff who are not required to support administrative processes may have difficulty transitioning to more strategic HR or mission facing roles	Carefully plan communications, training and transition activities to maximize success. Use communications to help employees see transition as a career progression.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-62 describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-62: Proposed Solution for Time and Labor Reporting

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Support for Grants/Projects	Full integration of Grants/Projects provided within PeopleSoft HR and Finance implementations	Define amounts in the HR Time and Labor and Payroll modules with an automated feed to the Finance system. Grants module will be implemented within the Finance Tower

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Flexibility	Configuration will support Agency flexibility requirements	Work with agencies toward a common process that supports unique business and staff needs within the configuration of the application
		Payroll Service Bureau	HR Service Bureau continues existing support of Payroll Service. Support for Time and Labor added to the HR Service Bureau	Creation of HR Service Bureau to support all HR administrative services. Three-tiered service delivery model leaves SMEs within agencies to consult with Agency staff on execution of Time and Labor process.
		Accuracy	Edit checks within Time and Labor support accuracy. Elimination of duplicate keying supports accuracy across systems. Manual calculations of overtime, etc. eliminated.	Time and Labor module automates edit checks and calculations.
		Consistency	The proposed solution provides a consistent Commonwealth-wide process on two platforms	Introduction of Time and Labor PeopleSoft Module and maintenance of Kronos. Creation of interface to payroll from Kronos
		Manual systems are still in use in some agencies	All agencies will be automated	Develop consistency across agencies in calculations, interpretations of work rules. Reduction in staff required to support the process through automation of manual processes.
		Duplicate keying of data	Single integrated HR enterprise application with appropriate interfaces to eliminate duplicate keying for Time and Labor	Data is shared within the application. Kronos interface to PeopleSoft payroll is developed.
		Lack of integration with CIPPS and PMIS	Time and Labor, HR and Payroll are all integrated in a single enterprise HR application or connected through an interface from Kronos	Implementation of PeopleSoft Enterprise HR, Payroll and Time and Labor modules Development of Kronos interface
		Lack of mechanism to track 1500 hour limit	YTD hours tracked in application. All employees included in system.	Develop reports from enterprise HR application which identify wage employees approaching the 1,500 limit

Efficiency, Productivity, Service Delivery, Accountability, and Cost Relative to As-Is Process

The Due Diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-63 shows how our proposed solution for the Time and Labor Reporting process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-63: Process Improvements for Time and Labor Reporting

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Integrated with HR and Payroll	Modules are completed integrated
On-line data entry	Data entry is on-line
Productivity	
Paperless process	Entry at the source and automated processes eliminates the need for paper copies
Automates manual processes	Integration with HR and payroll, automated workflow, self-service data entry all automated
Service Delivery	
User Friendly	Screens are intuitive and easy to follow. Commonwealth-specific help text will be developed to guide users in the meaning of fields to the Commonwealth
Accountability	
Ability to track 1500 hour limit	Reports will be developed to alert managers to staff approaching 1500 hour limit
Management Reporting Mechanism	PeopleSoft Time and Labor are delivered with a wide variety of management reports
Cost	
Provides data for grant management	PeopleSoft HR and payroll modules support the development of data for grant management and have an automated interface to general ledger
Ability to track overtime	Managers will have automated access to overtime information and ability to manage overtime costs

Benefits

Non-Financial

The team has identified the following non-financial benefits:

- Common processes
- Shared, common metrics
- Reduction in numbers of manual payments, prior period adjustments and errors processed
- Reduction in frustration with the need for duplicate entry in multiple systems

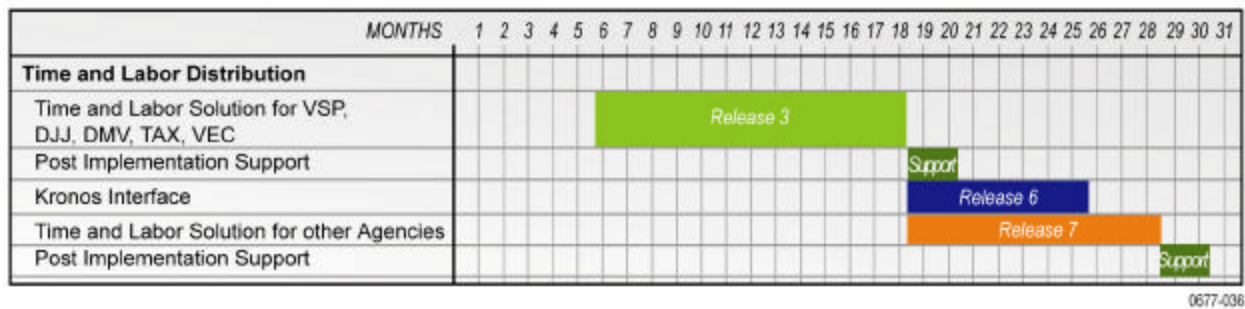
Financial

Financial benefits are discussed in section 5 of this document.

Short Term (<24 Months) vs. Long term

As shown in the following partial HR solution map, releases 3 and 6 of the proposed Time and Labor process occur within the first 24 months and are considered short term. Release7 is categorized as a long term project.

Figure 3-34: Time and Labor Solution Map



3.3.2 Position Classification

Position Classification systems are expensive and difficult to implement. Our findings in the due diligence process did not lead to a business case to support a systems implementation in this process area.

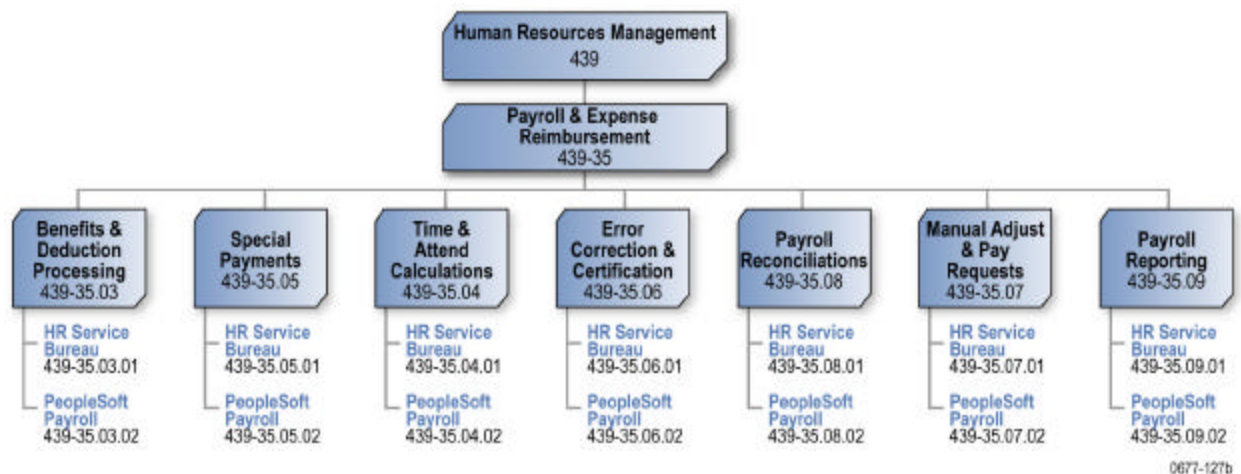
At this time we are not proposing any changes in the Position Classification process. With the implementation of the Enterprise HR, Payroll and Benefits Administration systems, two of the most commonly identified weakness in this process, lack of automated access to automated Employee Work Profiles across agencies and access to more wage information across agencies will be addressed. The Position Classification process should realize process efficiencies without having to change processes concurrent with this release. In addition, with the implementation of the Center of Excellence, business processes, policies and practices may be reviewed as part of that charter to identify opportunities for business process re-engineering and implemented as a new project.

3.3.3 Personnel Action Processing

The team is proposing the implementation PeopleSoft's Enterprise HR and Benefits Administration module to support Personnel Action Processing. In addition, we propose an HR Dashboard project using Indigitech to be launched concurrently with the Payroll, Enterprise HR and Benefits Administration modules to support the delivery and dissemination of HR Key Performance Indicators. In later releases, we propose the implementation of the Grievance and Data Warehouse modules as well as other modules to be determined by the Commonwealth based on the needs of the Commonwealth to integrate more HR processes within a single enterprise application for HR. Finally, we propose to upgrade the PeopleSoft HR modules beginning in year 5 of the proposed overall HR solution.

The new process decomposition to support Personnel Action Processing is:

Figure 3-35: To Be Personnel Action Processing Process Decomposition



The first release in this Commonwealth process domain combines PeopleSoft's Payroll, ePay, Enterprise HR and Benefits Administration modules as a single release across all agencies and enhances Key Performance Indicator (KPI) development, dissemination and maintenance with an HR dashboard. This multi-module launch permits the retirement of both the CIPPS and PMIS systems and houses all relevant employee data in a single shared system across the enterprise. In addition, the implementation brings together both wage and non-wage employees in a single system. The solution enables the retirement of a wide variety of systems maintained in various agencies to support the Personnel Action Processing process. The proposed solution eliminates the bulk of duplicate entry currently needed by Commonwealth agencies. It will also allow the elimination of Agency-specific systems for Pay Changes that were not identified as part of the due diligence effort for this Enterprise Applications PPEA.

New self-service capabilities are provided for employees through the ePay and Benefits Administration modules. With the launch, employees will be able to provide direct deposit information as well as make miscellaneous deductions for things like savings bonds and complete their benefit elections as part of life changes and the annual enrollment process. Existing Payline functionality is preserved.

Manager self-service is an important component of the new Personnel Action Processing system. Paper transactions and forwarding of transactions to HR for data entry will no longer be required.

With the inclusion of the HR Dashboard, the Commonwealth can implement KPIs across agencies for the first time. Based on our analysis of existing reports, this is a capability that is largely lacking in today's systems and represents a key step forward in realizing the Commonwealth's vision.

The next release adds the Grievance and Data Warehouse modules to the Personnel Action Processing process. It is combined with the Performance Evaluation module in the Evaluation process domain. This release permits the retirement of the existing HR data warehouse and offers automated population and data mapping from the implemented modules to the data warehouse.

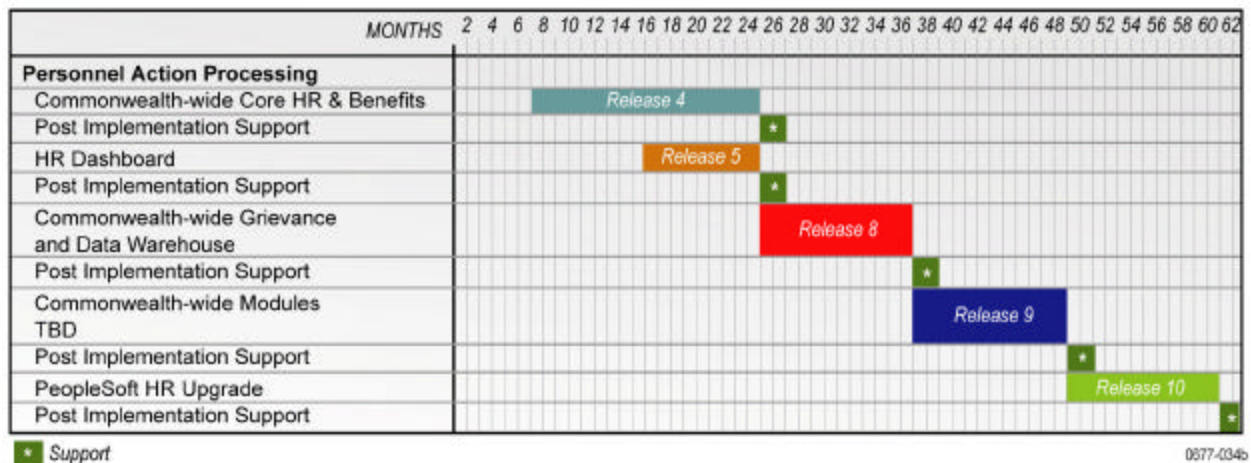
This will also significantly increase the ability for the Commonwealth to perform analysis in key HR process areas and provide significantly enhanced decision support capabilities.

Finally, the team recognizes the need to keep current with the vendor releases of the HR enterprise application. We have scheduled an upgrade project to begin in Year 5 so that the Commonwealth application is always fully supported by the vendor. It is expected that by this time the Oracle Fusion product will be available and have had enough implementations to reduce the upgrade risk for the Commonwealth.

From a support perspective, the proposed solution calls for the formation of an HR Service Bureau. HR transaction administrative support will be ideally located within a single Bureau which services all agencies. This approach can maximize the savings and efficiencies the Commonwealth can achieve. HR Subject Matter experts and policy setters remain with their existing agencies to provide on demand expert support for each agency.

As envisioned in the Proposed Solution for HR, the Payroll, ePay, Enterprise HR and Benefits Administration project will commence at month 7 and the release of that functionality will occur in month 24. The next two releases of Personnel Action processing functionality will occur at months 36 and 48. The upgrade is scheduled to be completed at month 60. The team provides two months of post implementation support once the release goes live to transition successfully to steady state with appropriate knowledge transfer to the Commonwealth.

Figure 3-36: Personnel Action Processing Solution Map



Process Narrative

The inputs and predecessors to the personnel action processing process do not change nor do the outputs and successors. However, there will be less manual input of transactions and less time devoted to reconciliation. This impact is reflected in the increased efficiency of the resources needed to support the personnel action processing process. A summary of the characteristics of the To-Be process environment is presented in Table 3-64.

Table 3-64: Process Characteristics of Personnel Action Processing

Characteristic	Under proposed Solution
Inputs and predecessors	<ul style="list-style-type: none"> ▪ Hire/Rehire <ul style="list-style-type: none"> – Accepted Offer – Start Date – Offer Details – Employee data from Candidate Gateway and Talent Acquisition Manager modules – Offer Process in PeopleSoft Talent Acquisition Manager ▪ Transfer <ul style="list-style-type: none"> – Approval from the accepting department to transfer the employee – Job information for position in accepting department ▪ Promotion/Demotion <ul style="list-style-type: none"> – Approved changes in position and compensation – Annual compensation process results – Salary/Band guidelines ▪ Pay Changes <ul style="list-style-type: none"> – Automated progression rules – Approved pay changes that are non-promotion/demotion related – Salary/Band guidelines ▪ Separation <ul style="list-style-type: none"> – Letter of resignation – HR approved termination action for cause ▪ Leaves <ul style="list-style-type: none"> – Request for leave – Duration of leave
Outputs and successors	<ul style="list-style-type: none"> ▪ Hire/Rehire <ul style="list-style-type: none"> – Completed Hire/Rehire transactions – Benefits processing – Employee Self Service for ePay and Benefit election transactions – Payroll processing – Evaluation processing – Time and Labor processing ▪ Transfer <ul style="list-style-type: none"> – Completed transfer transaction – Benefits processing – Payroll processing – Evaluation processing – Time and Labor processing ▪ Promotion/Demotion <ul style="list-style-type: none"> – Completed promotion/demotion transaction – Payroll processing – Evaluation processing – Time and Labor processing ▪ Pay Changes <ul style="list-style-type: none"> – Completed pay change transaction – Payroll processing – Evaluation processing – Time and Labor processing ▪ Separation <ul style="list-style-type: none"> – Completed separation transaction

Characteristic	Under proposed Solution
	<ul style="list-style-type: none"> – Benefits processing – Payroll processing – Evaluation processing – Time and Labor processing – COBRA processing ▪ Leaves <ul style="list-style-type: none"> – Completed leave transaction – Benefits processing – Payroll processing – Time and Labor processing
Process owner	DHRM
Resources	Fewer human resources will be required for reconciliation and transaction processing.
Process orientation	Centralized
Process placement	In-sourced

Process Objectives and Key Performance Indicators (KPIs)

The proposed solution is designed to standardize the current multiple Commonwealth Personnel Action Processing system and processes to a single Commonwealth-wide process. The result of this standardization will be the improvement in the direct key performance indicators associated with the processing of Personnel Processing for the Commonwealth. The KPIs in this process section also include those for the performance of the HR Service Bureau and for Self-Service. The Commonwealth may or may not be capturing these measures now but they are considered to be important in capturing the benefits realization from the proposed solution or for establishing a baseline for future process improvements.

The key objectives for Personnel Action Processing sub-processes are common across those sub-processes. Therefore the objectives will be presented as a single list. Key objectives for all personnel action processing processes includes:

- Standardize to a single enterprise process across all agencies
- Use configuration within the PeopleSoft application to address key data differences, hierarchy, etc. needs for agencies
- Provide employee self-service for this process
- Provide manager self-service for this process
- Combine data currently housed in multiple systems in a single database
- Eliminate need for duplicate data entry for all Personnel Action transactions.
- Reduce data entry errors and the need to reconcile data across systems
- Reduce the numbers of reports required to the minimum level required to support the business operations.

Proposed Key Performance Indicators

To establish a baseline for the realization of business benefits, the team proposes the following key performance indicators to support the Personnel Action Processing Process:

Table 3-65: KPI's for Personnel Action Processing

Measure	Definition	Goal	Notes
Self Service KPIs			
Manager Self Service Accuracy	Errors by Managers/# of Managers	Reduction in Ratio	
Employee Self Service Accuracy	Errors by Employees/# of Employees	Reduction in Ratio	
Contacts Handled By Self Service	Total number of self service contacts	Increase in Number of contacts	Transactions plus inquiries handled by knowledgebase
% Served by Some Form of Self Service	# of employees accessing self-service/Total Number of Employees	Increase in ratio	Self-service – Management or Employee initiated with no other intervention
HR Service Bureau KPIs			
Contacts Handled First Time	# of Contacts handled by Tier 1 without escalation to Tier 2	Increase in number	
# of Customer Complaints	# of Calls	Decrease in number	
Average Time to Resolve Calls	Hours spent on calls/Total number of Calls	Decrease in Ratio	
Total Transactions	Total number of transactions processed	Capture for Use with Other metrics	
Transaction KPIs			
Employee Cost of Leave	Average cost of leave/employee	Reduction in cost	Factors other than this proposed solution are the levers of change for this metric
Employee Length of Leave	Average length of leave/employee	Reduction in length	Factors other than this proposed solution are the levers of change for this metric
Leave Administration Rate	Total Leave Administration \$/Total FTEs	Reduction in rate	
Leave Liability Factor	Sum of Employee Accrued Leave \$/Annual Salary Budget \$	Reduction year to year	Factors other than this proposed solution are the levers of change for this metric
Leave Loss Rate	# of days leave/total # of working days available	Reduction in rate	Factors other than this proposed solution are the levers of change for this metric
Leave Processing	Average time taken to process leave forms	Reduction in time	
Leave Response Time	Average days per case from initiation to resolution	Reduction in time	
Leave Return Rate	Percentage of employees on leave of absence that return to work	Increase in rate	Factors other than this proposed solution are the levers of change for this metric
Leave Utilization Rate	Average number of hours annual leave per FTE	= to Budget or Less	Factors other than this proposed solution are the levers of change for this metric
Leave Processing Accuracy	# of leaves processed without error/# of leaves processed	1	

Measure	Definition	Goal	Notes
Worker's Comp Claim Rate	Workers Comp Claims Filed per Thousand Employees	Reduction in rate	Factors other than this proposed solution are the levers of change for this metric
Discharges during probation	# of terminations during probationary period	Reduction in rate	Factors other than this proposed solution are the levers of change for this metric
Involuntary Separation Rate	Involuntary Separations/(FT+PT Headcount)	Reduction in rate	Factors other than this proposed solution are the levers of change for this metric
Voluntary Separation Rate	Voluntary Separations/(FT+PT Headcount)	Reduction in rate	Factors other than this proposed solution are the levers of change for this metric
Length of Service (LOS) for Leavers	# of separations/LOS	Increase in average length of service	Calculate total, voluntary, involuntary. Factors other than this proposed solution are the levers of change for this metric
LOS for Voluntary Separation	# of voluntary separations/LOS	Increase in average length of service	Factors other than this proposed solution are the levers of change for this metric
Separations by Performance Rating	Separations by Performance Rating/Separations	Decrease for high performance, increase of poor performance	Calculate total, voluntary Factors other than this proposed solution are the levers of change for this metric
Separations within 1 year of promotion	# of separations within 12 months of promotion	Reduction in #	Calculate total, voluntary, involuntary Factors other than this proposed solution are the levers of change for this metric
Time from Separation to Final Check	Date final check issued – date of separation	Reduction in time	
Turnover Rates	# of separations/(Period begin headcount + period hires)	Reduction in rate	Total, by agency, department, gender, ethnicity, etc. Factors other than this proposed solution are the levers of change for this metric
% Turnover related to compensation issues	# of compensation related separations/Total # of separations	Reduction in %	Factors other than this proposed solution are the levers of change for this metric
Outplacement Utilization Rate	# accepting outplacement/# offered outplacement	Baseline for analyzing effectiveness of program	Factors other than this proposed solution are the levers of change for this metric
Termination/Retirement Process Cost Per Employee	# term/retiree process \$/# of terms/retirees	Reduction in cost	
Termination/Process FTEs per thousand employees	(# term/retiree process hours/40)/total # of employees/1000	Reduction in rate	

Measure	Definition	Goal	Notes
Transfer Retention Ratio	# of employees remaining/# of employees transferred	Increase in Ratio	Factors other than this proposed solution are the levers of change for this metric
Transfer Analysis	# and % of employees transferred by ethnicity and gender	Rate proportionate to employee population	Assumes that large percent of transfers are for career advancement opportunities and provides information on equity of process
Orientation Completion Rate	% completion by group	Increase in rate	Factors other than this proposed solution are the levers of change for this metric
New Hire Training	New Hire Training Expense/Total Training Expense	Decrease in Expense	Factors other than this proposed solution are the levers of change for this metric
Retention Analysis	# of hires retained/# of employees hired	Increase in ratio	Calculate by Various retention periods, EEO code, hire source, gender, ethnicity, agency, department, etc. Factors other than this proposed solution are the levers of change for this metric
HR Headcount Ratio	Total FTEs/Total HR FTEs	Decrease in Number	
HR cost per Employee	Total HR cost \$/Total # of Employees	Reduction in cost	
HR Expense Ratio	HR Expense/Total Expense	Reduction in ratio	
Rate of promotion	# of promotions/# of employees	Manage to Commonwealth goals	Factors other than this proposed solution are the levers of change for this metric
Time between promotions	Average length of time from the last promotion to the current promotion	Manage to Commonwealth goals	Factors other than this proposed solution are the levers of change for this metric
Time to first promotion	Average length of time from date of hire to the first promotion action	Manage to Commonwealth goals	Factors other than this proposed solution are the levers of change for this metric

Integration Points with Other Processes

The team has identified the following integration points with other processes:

- Enterprise HR tables must provide the base data for Commonwealth employees to eliminate the need for re-keying data as well as make data consistent between systems.
- New Hires and Re-Hires must be submitted from the Talent Acquisition Manager offer process
- Benefits administration must receive employee self-service elections. These must also be passed to payroll.
- COBRA processes require information on separations, leaves and certain life events.

- Evaluation processes must receive certain transaction data to update their systems.
- Metrics data must be shared with the HR Dashboard
- The HR data warehouse must receive transaction updates to support analytics, reporting and decision support

Organizational Impact Considerations

The team believes the best way to organize to support this solution is in a single HR Service Bureau. In this model, all Commonwealth staff supporting the administration of individual HR processes would be transferred to the HR Service Bureau. Individuals would be assigned to support agencies on the basis of workload and expertise. Subject matter experts and policy setters would remain with their existing agencies. This model targets the maximum cost savings and efficiencies for the Commonwealth.

The management of the new and existing applications is centralized and outsourced to IBM's Application Management Service group.

Impact on Existing Policies and Procedures

The team has identified the following impacts on existing policies and procedures as a result of the proposed solution:

- The proposed solution for Enterprise HR/Payroll/Time and Labor includes a Commonwealth-wide database. This can have a significant impact on existing policies and procedures around the sharing of employee data across agencies and the situations under which that sharing can occur. While Enterprise HR data can and needs to be shared to support many processes with the Commonwealth, new policies governing the access to and sharing of data that previously had not been integrated will need to be addressed.
- Policies regarding electronic signatures and their use will need to be reviewed to permit the maximum application of self-service.
- The definition of Transfer will have to be expanded to treat individuals as Commonwealth rather than agency employees.

Other Risks

The team has identified the following risks associated with the implementation of the proposed solution for the Personnel Action Processing Process:

Table 3-66: Risks and Mitigation for Personnel Action Processing









Risk	Mitigation Approach
Employee and manager carelessness in self-service entry could cause error corrections and rework	Use edit checks in system to increase accuracy. Use launch communications and other medium to remind employees of the importance of accurate data entry
Agencies may refuse to support a centralized service delivery mechanism	Work with Change Management Team to define an organization and transition plan to new structure. Begin effort early to develop support for the model and the necessary culture change to make the Service Bureau approach a success. If the Commonwealth cannot make the



Risk	Mitigation Approach
	full transition, develop Service Bureaus at the Secretariat level. This approach will not generate the full level of savings possible under a single bureau but still does generate significant savings for the Commonwealth. It will also be easier to achieve in a shorter time period.
Transition from agency to Commonwealth employment as a philosophy may be more difficult than planned to implement	Use change management team to identify cultural issues and barriers and develop plan to successfully address
Existing staff who are not required to support administrative processes may have difficulty transition to more strategic HR or mission facing roles	Carefully plan communications, training and transition activities to maximize success. Use communications to help employees see transition as a career progression.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-67 describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-67: Proposed Solution for Personnel Action Processing

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		All personnel action processes are well defined	All personnel action processes remain well defined.	Implement integrated HR/Payroll/Benefits modules. Develop Commonwealth-specific help and user manuals
		Accuracy	Integrated personnel action process and payroll increases level of accuracy. Self-service also provides for greater level of accuracy.	Implement integrated HR/Payroll/Benefits modules. Add employee and manager self-service capability.
		Robust PMIS query reporting tool available to users in the PMIS data warehouse, as well as a number of standard reports	PeopleSoft HR modules deliver large number of standard reports. Proposed solution includes integrated data warehouse with reporting and decision support capabilities as well as HR Dashboard.	Use delivered reporting capability of PeopleSoft HR modules. Supplement with new HR Data Warehouse within PeopleSoft application and HR Dashboard using Indigitech Tool.
		Lack of integrated system	Personnel Action Processing, Payroll, Benefits, Time and Labor, Evaluations, Grievances, Recruiting are all integrated within one HR enterprise application	Implement integrated HR application in phases, increasing the content and integration with each release

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Redundant data entry	Integrated system across most HR processes significantly reduces duplicate data entry	Use single enterprise application to share data across HR processes and other towers to minimize redundant data entry. Re-engineer business processes to fit integrated approach.

Efficiency, Productivity, Service Delivery, Accountability, Accountability and Cost Relative to As-Is Process

The Due Diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-68 shows how our proposed solution for the Personnel Action Processing process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-68: Process Characteristics for Personnel Action Processing

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Integrated with Payroll	Modules are completely integrated
Pre-population of data	Data is pre-filled wherever possible
Self-Service for transactions	Employee and manager self-service will be provided
Ability to correct errors without intervention of HR	Employees and managers do not have the ability to correct errors. This limitation is a necessary control for the integrity of the system.
Productivity	
Paperless process	Entry at the source and automated processes eliminates the need for paper copies
Automate manual processes	Integration with payroll, automated workflow and self-service data entry all automated
Service Delivery	
Include all employees in one system	All employees are included in the same system and integrated with other modules
User friendly	Screens are intuitive and easy to follow. Commonwealth-specific help text will be developed to guide users in the meaning of fields to the Commonwealth
Agency-wide system with all HR components	The proposed solution includes a wide range of HR processes and modules. The Commonwealth has an opportunity to add functionality in future implementations
Web-based	All users interact with the system over the web
Accountability	
Transaction limitations built into system as edit checks	Edit checks will be designed to prevent users from doing things like paying someone outside the band range, etc.
Cost	

Benefits

Non-Financial

The team has identified the following non-financial benefits:

- Common processes
- Shared, common metrics
- Reduction in reconciliation time
- Reduction in time generating Commonwealth-wide reporting and statistics
- Reduction in frustration with the need for duplicate entry in multiple systems
- Reduction in copying, filing costs

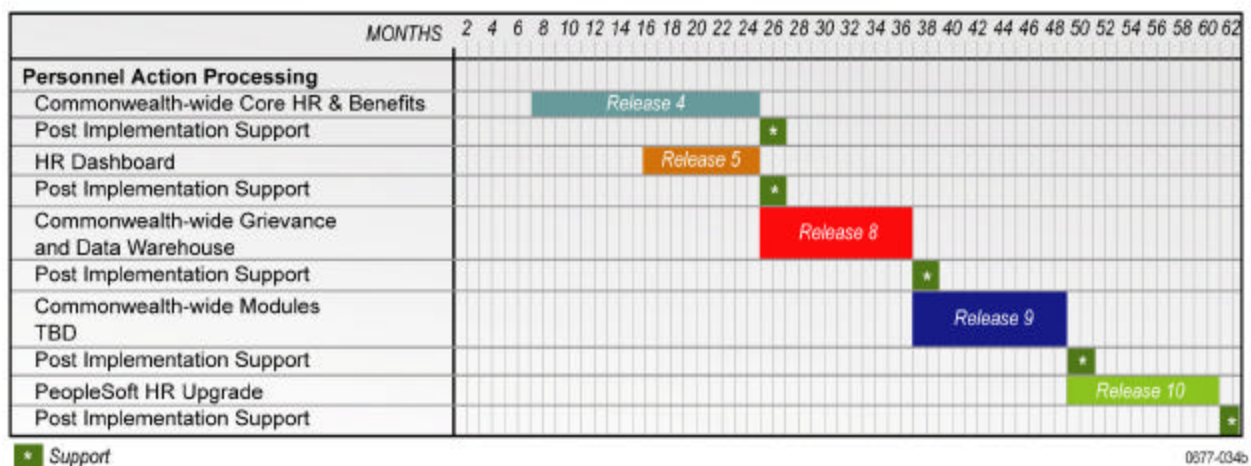
Financial

Financial benefits are discussed in section 5 of this document.

Short Term (<24 Months) vs. Long Term

As shown in the following partial HR solution map, releases 4 and 5 of the proposed Personnel Action Processing process occur within the first 24 months and are considered short term. Releases 8, 9, and 10 are long term projects.

Figure 3-37: Personnel Action Processing Solution Map

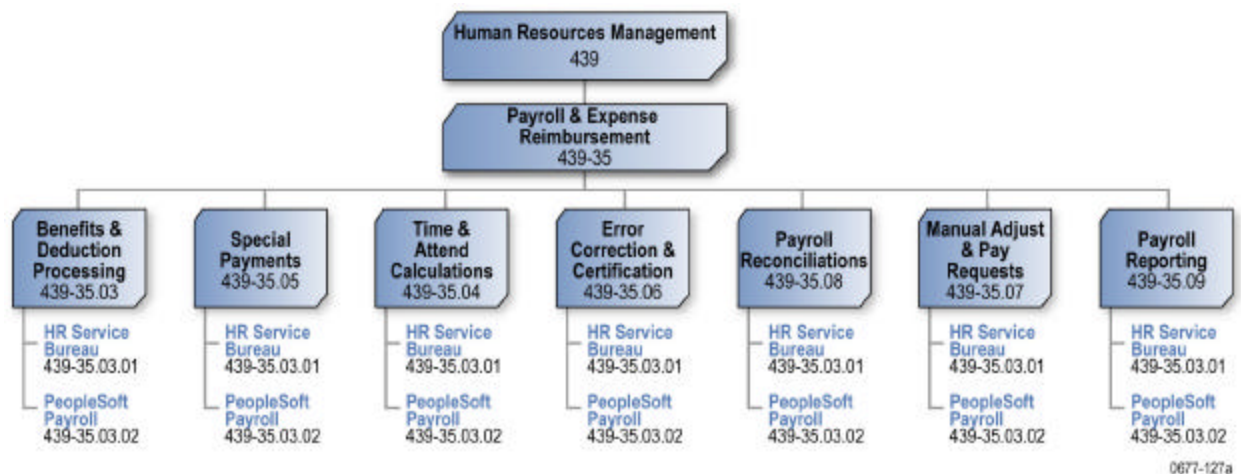


3.3.4 Payroll Management and Expense Reimbursement

The team is proposing the implementation of PeopleSoft's Payroll module to support Payroll Management and Expense Reimbursement.

The new process decomposition to support Payroll Management and Expense Reimbursement is:

Figure 3-38: To Be Payroll Management and Expense Reimbursement Process Decomposition



The proposed solution combines PeopleSoft's Payroll, ePay, Enterprise HR and Benefits Administration modules as a single release across all agencies and enhances KPI development, dissemination and maintenance with an HR dashboard. This multi-module launch permits the retirement of the Commonwealth Integrated Personnel and Payroll System (CIPPS), Benefits Eligibility System (BES) and Personnel Management Information System (PMIS) systems and houses all relevant employee data in a single shared system across the enterprise. In addition, the implementation brings together both wage and non-wage employees in a single system. The proposed solution allows the retirement of a wide variety of systems maintained in various agencies to support the payroll system. It eliminates the bulk of duplicate entry currently needed by Commonwealth agencies. It will also allow the elimination of Agency-specific systems for Special Payments, Error Correction and Certification, Manual Adjustments and Pay Requests, Payroll Reconciliations, and Payroll Reporting that may not have been identified as part of the Due diligence effort for PPEA2.

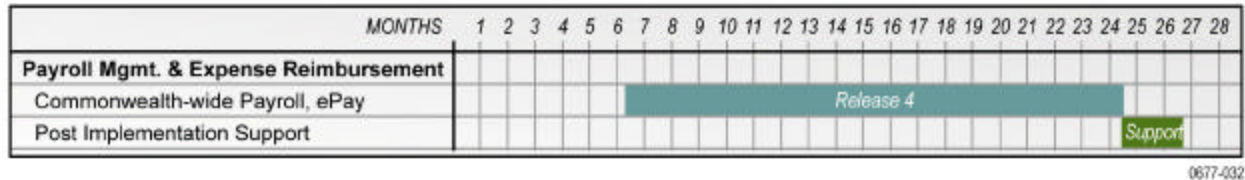
New self-service capabilities are provided for employees through the ePay module. With the launch, employees will be able to provide direct deposit information as well as make miscellaneous deductions for such things as savings bonds. Existing Payline functionality is preserved.

The proposed solution eliminates the current payroll sub-processes of New Employee Records and Employee Record Maintenance as these are now handled in the Enterprise HR system which supports Personnel Action Processing and automatically feeds to Payroll processes. Benefits and Deduction Processing cannot be eliminated as a Payroll sub-process because a batch process is needed to process them. However, the inputs and elections are now made by employees through self-service in the eBenefits and ePay modules and the calculations and processing are completely automated.

From a support perspective, the proposed solution calls for the formation of an HR Service Bureau. Payroll administrative processing will be housed within a single Bureau which services all agencies. This approach maximizes the savings and efficiencies the Commonwealth can achieve.

As envisioned in the Proposed Solution for HR, the Payroll, ePay, Enterprise HR and Benefits project will commence at month 7 and the release that includes Payroll functionality will occur at 24 months. The team provides two months of post implementation support once the system goes live for successful transition to steady state with appropriate knowledge transfer to the Commonwealth.

Figure 3-39: Payroll Management and Expense Reimbursement Solution Map



Process Narrative

The existing Payroll sub-processes of New Employee Records and Employee Record maintenance are eliminated as they are no longer necessary processes for the Payroll system. They will be handled in the Commonwealth Personnel Action Processing process and the Payroll system will share this data.

The inputs and predecessors to the payroll management and expense reimbursement process do not change nor do the outputs and successors. However, there will be less manual input of transactions and less time devoted to reconciliation. This impact is reflected in the increased efficiency of the resources needed to support the payroll management and expense reimbursement process. A summary of the characteristics of the To-Be process environment is presented in Table 3-69.

Table 3-69: Process Characteristics for Payroll Management and Expense Reimbursement

Characteristic	Under Proposed Solution
Inputs and predecessors	<ul style="list-style-type: none"> ▪ Benefits and Deduction Processing <ul style="list-style-type: none"> – Benefits and Deductions elections by employees – Employee records – Set up and maintenance of benefit plans and rates ▪ Time and Attendance Calculations <ul style="list-style-type: none"> – Employee Records – Set up and maintenance of time calculation rules – Pay period time reporting ▪ Special Payments <ul style="list-style-type: none"> – Approved payment requests ▪ Error Correction & Certification <ul style="list-style-type: none"> – Notification of error ▪ Manual Adjustments & Pay Requests <ul style="list-style-type: none"> – Approved request for adjustment or manual payment ▪ Payroll Reconciliations <ul style="list-style-type: none"> – Completed payroll run – Identified reconciliation items ▪ Payroll Reporting <ul style="list-style-type: none"> – Completed Payroll run

Characteristic	Under Proposed Solution
Outputs and successors	<ul style="list-style-type: none"> ▪ Benefits & Deduction Processing <ul style="list-style-type: none"> – Deductions to be applied to employee pay – Payroll Reconciliation – Payroll Reporting ▪ Time and Attendance Calculations <ul style="list-style-type: none"> – Base pay calculations – Adjustments to base pay calculations (OT, leave, etc.) – Payroll Reconciliation – Payroll Reporting ▪ Special Payments <ul style="list-style-type: none"> – Adjustments to employee paycheck – Special payroll runs – Payroll Reconciliation – Payroll Reporting ▪ Manual Adjustments and Pay Requests <ul style="list-style-type: none"> – Adjustments to employee paycheck – Updates to year to date balances – Payroll Reconciliation – Payroll Reporting ▪ Payroll Reconciliations <ul style="list-style-type: none"> – Approval to run Payroll – Completed Payroll Run ▪ Payroll Reporting <ul style="list-style-type: none"> – Payroll Reports
Process owner	Department of Accounts
Resources	Fewer human resources will be required for reconciliation and transaction processing.
Process orientation	Centralized
Process placement	In-sourced

Process Objectives and Key Performance Indicators (KPIs)

The proposed solution is designed to standardize the current multiple Commonwealth payroll processes to a single Commonwealth-wide process. The result of this standardization will be the improvement in the direct key performance indicators associated with the processing of Payroll for the Commonwealth. It is important to note that both types of Key Performance Indicators may or may not be part of what the Commonwealth measures now but are considered to be important in capturing the benefits realization from the proposed solution or important in establishing a baseline for future process improvements. An important part of our design will be the ability to capture these measurements. Concurrent with the launch of Payroll will be the launch of an HR dashboard (described in Personnel Action Processing) which captures and disseminates appropriate Payroll-related KPIs.

Table 3-70: Key Objectives for Payroll Management and Expense Reimbursement Process

Sub-Process	Key Objectives
Benefits and Deduction Processing	<ul style="list-style-type: none"> ▪ Standardize to a single enterprise process across all agencies ▪ Use configuration within the PeopleSoft application to address key data differences, hierarchy, etc. needs for agencies ▪ Provide employee self-service for this process ▪ Combine data currently housed in multiple systems in a single

Sub-Process	Key Objectives
	<ul style="list-style-type: none"> database Completely automate the calculation of benefits and deductions
Time and Attendance Calculations	<ul style="list-style-type: none"> Develop automated feeds from Kronos and PeopleSoft Time & Labor systems for time and attendance values for employees
Special Payments	<ul style="list-style-type: none"> Fully utilize the edit check process so that the posting of special payments occurs correctly Reduce the need for Special Payments through the integration of HR systems
Error Correction and Certification	<ul style="list-style-type: none"> Reduce the numbers of errors identified Increase the efficiency of the certification process
Manual Adjustments and Pay Requests	<ul style="list-style-type: none"> Reduce the numbers of adjustments/requests requiring processing
Payroll Reconciliation	<ul style="list-style-type: none"> Reduce the number of items requiring reconciliation Reduce the time required to perform payroll reconciliations
Payroll Reporting	<ul style="list-style-type: none"> Identify reports which support the payroll process and eliminate unnecessary reports. Incorporate information which supports KPIs in reporting process

Proposed Key Performance Indicators

To establish a baseline for the realization of business benefits, the team proposes the following key performance indicators to support the Payroll and Expense Reimbursement Process:

Table 3-71: KPI's for Payroll Management and Expense Reimbursement

Measure	Definition	Goal	Notes
Cost Per Check	Costs/Total Number of Checks Issued	Reduction in Cost	
Direct Deposit Participation Rate	# of employees utilizing direct deposit/# of employees paid	Increase in Participation Rate	
Payroll Staff Level	Count of the # of exempt and non-exempt employees dedicated to payroll	Reduction in overall number	
Payroll Cycle Time	Payroll End Time – Payroll Start Time (in hours)	Reduction in cycle time	
% Manual Checks	#of manual paychecks/# of total checks processed during payroll cycle	Reduction in %	
Check Ratio	# of checks processed/# of Payroll FTEs	Reduction in ratio	
Cost per Manual Check	Manual check processing costs/# of manual checks	Reduction in cost	
Cycle Time for Error Resolution	Date error resolved – date error reported	Reduction in cycle time	
Error rate per payroll cycle	Error Rate/Total # of Checks	Reduction in rate	
Retroactive increase ratio	# of retroactive increases/# of total increases	Reduction in ratio	Factors other than this proposed solution are the levers of change for this metric
Vendor Penalties	# of vendor penalties for late/incorrect payments	Reduction in number	

Integration Points with Other Processes

The team has identified the following integration points with other processes:

- Enterprise HR tables must provide the base data for Commonwealth employees to eliminate the need for re-keying data as well as make data consistent between systems.
- Time and Labor system and Kronos interface must provide the pay period time reporting to eliminate the need for re-keying and maintenance of redundant systems
- Appropriate payroll data must be passed to the HR data warehouse
- Metrics data must be shared with the HR Dashboard

Organizational Impact Considerations

For payroll management and expense reimbursement, there should be less organizational impact. Staff is already organized in a service bureau. New staff may be added from the agencies to the extent that new agencies are added to the Payroll application.

The management of the new and existing applications is centralized and outsourced to IBM's Application Management Service group.

Impact on Existing Policies and Procedures

The team has identified the following impacts on existing policies and procedures as a result of the proposed solution:

The proposed solution for Enterprise HR/Payroll/Time and Labor includes a Commonwealth-wide database. This can have a significant impact on existing policies and procedures around the sharing of employee data across agencies and the situations under which that sharing can occur. While Enterprise HR data can and needs to be shared to support many processes with the Commonwealth, new policies governing the security of Payroll data, access to it and what can be shared will need to be developed.

Policies regarding electronic signatures and their use will need to be reviewed to permit the maximum application of self-service.

Other Risks

The team has identified the following risks associated with the implementation of the proposed solution for the Payroll and Expense Reimbursement Process:

Table 3-72: Risks and Mitigation in Payroll Management and Expense Reimbursement









Risk	Mitigation Approach
Employee carelessness in self-service entry could cause error corrections and rework	Use edit checks in system to increase accuracy. Use launch communications and other medium to remind employees of the importance of accurate data entry
Agencies may refuse to support a centralized service delivery mechanism – in particular the removal of their payroll administrative processors to the service	Work with Change Management Team to define an organization and transition plan to new structure. Begin effort early to develop support for the model and the necessary culture change to make the Service Bureau approach a success. If the Commonwealth cannot make the

bureau	full transition, develop Service Bureaus at the Secretariat level. This approach will not generate the full level of savings possible under a single bureau but still does generate significant savings for the Commonwealth. It will also be easier to achieve in a shorter time period.
Existing staff who are not required to support administrative processes may have difficulty transition to more strategic HR or mission facing roles	Carefully plan communications, training and transition activities to maximize success. Use communications to help employees see transition as a career progression.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-73 describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-73: Proposed Solution for Personnel Management and Expense Reimbursement

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Payline feature – allows employees to view on-line pay statements	Existing Payline functionality is duplicated in the proposed solution. In addition, employees will have the ability to provide direct deposit information and make miscellaneous deductions	Enhance employee self-service capabilities Reduce manual transaction processing within Payroll department
		Payroll Service Bureau	HR Service Bureau continues existing support of Payroll Service.	Creation of HR Service Bureau to support all HR administrative services. Three-tiered service delivery model leaves SMEs within agencies to consult with Agency staff on execution of payroll process.
		Lack of system integration	Personnel Action Processing, Payroll, Benefits, Time and Labor, Evaluations, Grievances, Recruiting are all integrated within one HR enterprise application	Implement integrated HR application in phases, increasing the content and integration with each release
		Lack of VSDP Integration	Interfaces will be built to integrate with VSDP	Additional interfaces to support more complete integration

Efficiency, Productivity, Service Delivery, Accountability, Accountability and Cost Relative to As-Is Process

The Due Diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-74 shows how our proposed

solution for the Payroll Management and Expense Reimbursement process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-74: Process Improvements in Payroll Management and Expense Reimbursement

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
Integrated with HR, Time and Labor and Financial systems	All modules will be within PeopleSoft and are integrated.
Automated time sheets with edit checks	Time sheets will be automated for agencies that opt to implement Time and Labor. Interface from Kronos will be built
Employee self-service	Employees will have expanded self-service capability
Payroll history available on line	Pay history will be available on line
Productivity	
Paperless process	Entry at the source and automated processes eliminates the need for paper in the process
Eliminate duplicate entry	Integrated system eliminates existing duplicate data entry
Service Delivery	
Web-based	All users interact with the system over the web
User Friendly	Screens are intuitive and easy to follow. Commonwealth-specific help text will be developed to guide users in the meaning of fields to the Commonwealth
Provide personalized service to customers	Self-service, on line access to information personalize transactions for customers. Payroll Service Bureau staff have more time available to handle service in a more personalized fashion, and, with more access to information to help the customer than today.
System available – less down time	PeopleSoft, when tuned, is a very stable system
Accountability	
Automated checks and balances to address internal control concerns	PeopleSoft comes delivered with significant check and balance capabilities. In addition, with the integration of HR and Payroll, the audit concerns about separation of duties from APA, Special Review of Payroll and Human Resource Systems Report are addressed.
Increase and enhance edit checks	PeopleSoft comes delivered with significant check and balance capabilities
Cost	
Integrated with CARS	PeopleSoft will be integrated with CARS and the General Ledger to appropriately manage costs

Benefits

Non-Financial

The team has identified the following non-financial benefits:

- Common processes
- Shared, common metrics
- Reduction in reconciliation effort for payroll processing through self-service and integration with HR and Time and Labor systems

- Reduction in reconciliation effort between systems
- Reduction in frustration with the need for duplicate entry in multiple systems

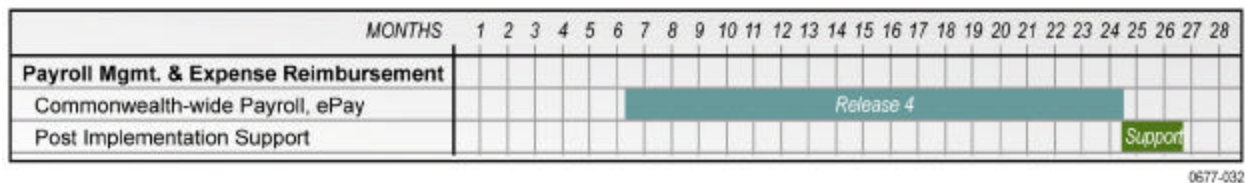
Financial

Financial benefits are discussed in section 5 of this document.

Short Term (<24 Months) vs. Long Term

As shown in the following partial HR solution map, all of the proposed Payroll and Expense Reimbursement solution falls in the category of short term.

Figure 3-40: Payroll Management and Expense Reimbursement Solution Map

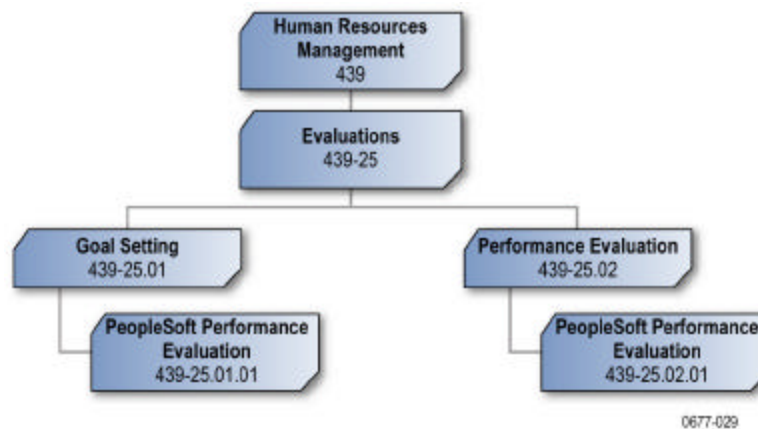


3.3.5 Evaluation

The team is proposing the implementation of PeopleSoft's Performance Evaluation module to support the Evaluation process within the Commonwealth.

The new process decomposition to support Evaluation is:

Figure 3-41: To Be Evaluation Process Decomposition



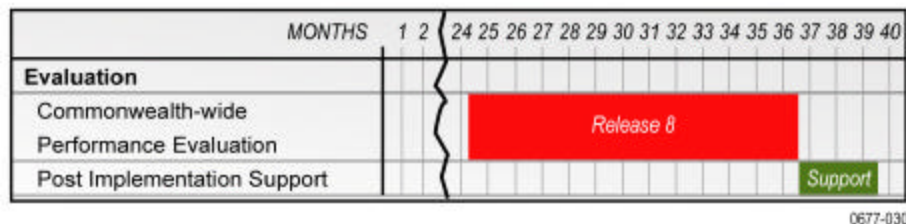
The proposed solution replaces the Commonwealth's Employee Work File (EWP) system with the PeopleSoft Performance Evaluation module and permits the addition of Performance Evaluation Key Performance Indicators to the HR dashboard. The team is proposing this release be combined with the implementation of PeopleSoft's HR data warehouse and Grievances modules which are described in the Personnel Action Processing process. This multi-module launch permits the retirement of additional non-integrated systems and increases the breadth of Commonwealth employee data in a single shared system across the enterprise. The proposed solution for Evaluation automates the workflow of the Performance Evaluation sub-process as

well as Goal Setting sub-process. This will permit the retirement of a large number of non-system processes using Access databases, Excel spreadsheets and Word documents to manage the workflow associated with the process. The proposed solution also eliminates additional duplicate entry currently performed by Commonwealth agencies to create the manual documents as well as the manual update of the final evaluation for each employee into the PMIS system. It will also eliminate the need for any Agency-specific interfaces or systems that were not identified as part of the Due diligence effort for the Enterprise Applications PPEA.

From a support perspective, the proposed solution calls for the addition of Evaluation administration processing staff to the HR Service Bureau. Agencies will experience a reduction in the numbers of people required to manage this process with the provided automated workflow. This approach enables the Commonwealth to maximize the savings and efficiencies achievable. Performance Evaluation subject matter experts will remain in their existing agencies.

As envisioned in the Proposed Solution for HR, the Performance Evaluation project will commence at month 25 and the release that includes Performance Evaluation functionality will occur at 36 months. The team provides two months of post implementation support once the system goes live for successful transition to steady state with appropriate knowledge transfer to the Commonwealth.

Figure 3-42: Evaluation Solution Map



Process Narrative

The inputs and predecessors to the evaluation process do not change nor do the outputs and successors. However, there will be less manual input of transactions and less time devoted to reconciliation. This impact is reflected in the increased efficiency of the resources needed to support the evaluation process. A summary of the characteristics of the To-Be process environment is presented in Table 3-75.

Table 3-75: Process Characteristics for Evaluation

Characteristic	Under proposed Solution
Inputs and predecessors	<ul style="list-style-type: none"> ▪ Goal Setting <ul style="list-style-type: none"> – Evaluation Distribution Guidelines – Categories of Performance Goals – Commonwealth and Agency Performance Goals ▪ Performance Evaluation <ul style="list-style-type: none"> – Employee Records – Reports to Hierarchy – Historical evaluation data – Instructions to Managers and Employees

Characteristic	Under proposed Solution
	<ul style="list-style-type: none"> Individual Goals
Outputs and successors	<ul style="list-style-type: none"> Goal Setting <ul style="list-style-type: none"> Individual Goals Performance Distribution Rules Performance Evaluation Performance Evaluation <ul style="list-style-type: none"> Approved employee ratings Employee development requirements Enterprise HR – receives update with employee final rating Training and Development – uses Employee development requirements to plan for coming year
Process owner	DHRM
Resources	Fewer human resources will be required for reconciliation and transaction processing.
Process orientation	Centralized
Process placement	In-sourced

Process Objectives and Key Performance Indicators (KPIs)

The proposed solution is designed to standardize the current multiple Commonwealth evaluation processes to a single Commonwealth-wide process as well as automate the current manual workflow for the process. The result of this standardization will be improvement in the direct key performance indicators associated with the Evaluation process as well as the ability to develop KPIs around performance itself for the Commonwealth. The listed Key Performance Indicators may or may not be part of what the Commonwealth measures now but are considered to be important in capturing the benefits realization from the proposed solution or establishing the baseline for future improvements in the process. An important part of our design will be the ability to capture these measurements. These new KPIs will be incorporated within the HR Dashboard as part of the implementation.

Table 3-76: Key Objectives for Evaluation Process

Sub-Process	Key Objectives
Goal Setting	<ul style="list-style-type: none"> Standardize to a single enterprise process across all agencies Provide automated workflow for this process Add to the breadth of employee data available in the Commonwealth database
Performance Evaluation	<ul style="list-style-type: none"> Standardize to a single enterprise process across all agencies Provide automated workflow for this process Add to the breadth of employee data available in the Commonwealth database Enhance the HR dashboard with appropriate new KPIs Retain agency ability to define more than three levels of performance and provide pre-defined roll up to the Commonwealth standard three levels

Proposed Key Performance Indicators

To establish a baseline for the realization of business benefits, the Commonwealth Partners propose the following key performance indicators to support the Evaluation Process:

Table 3-77: KPI's for Evaluation

Measure	Definition	Goal	Notes
Performance Rating Distribution	# and % of ratings in each level	Increase number of high performers and reduce number of low performers	Calculate by Agency, department, band, gender, ethnicity, etc. Factors other than this proposed solution are the levers of change for this metric
% of Ratings Completed on Time	# of ratings completed on time/total # of ratings delivered	Increase %	Factors other than this proposed solution are the levers of change for this metric
% of Performance Goals achieved	# of goals achieved/Total # of goals	Increase %	Factors other than this proposed solution are the levers of change for this metric
% Performance Plans Complete	# of Plans complete/# of employees required to complete plans	Increase %	Factors other than this proposed solution are the levers of change for this metric

Integration Points with Other Processes

The team has identified the following integration points with other processes:

- Enterprise HR tables must provide the base data for Commonwealth employees to eliminate the need for re-keying data as well as make data consistent between systems.
- Employee record in Enterprise HR tables must be updated with final performance evaluation
- Metrics data must be shared with the HR Dashboard

Organizational Impact Considerations

We believe the best way to organize to support this solution is in a single HR Service Bureau. In this model, all Commonwealth staff supporting the administration of individual HR processes would be transferred to the HR Service Bureau. Individuals would be assigned to support agencies on the basis of workload and expertise. Subject matter experts and policy setters would remain with their existing agencies. This model targets the maximum cost savings and efficiencies for the Commonwealth.

The management of the new and existing applications is centralized and outsourced to IBM's Application Management Service group.

Impact on Existing Policies and Procedures

The team has identified the following impacts on existing policies and procedures as a result of the proposed solution:

- To the extent the Commonwealth wishes to use the system to establish and enforce Commonwealth-wide goals, new procedures will have to be developed.
- Policies regarding electronic signatures and their use may need to be reviewed to permit the full automation of workflow as well as eliminate the need for paper copies of goals and performance evaluations for employees.

Other Risks

The team has identified the following risks associated with the implementation of the proposed solution for the Evaluation Process:


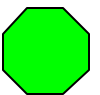

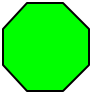
Table 3-78: Risks and Mitigation for Evaluation



Risk	Mitigation Approach
Managers could fail to check their work queues and fail to complete evaluations, approvals, etc. on a timely basis	Consider establishing a temporary and manual reminder process at launch to help managers and recruiters get used to checking the tool to get their work. Configure the workflow notifications to help managers and recruiters more readily understand the need to act on these email notifications.
Agencies may refuse to support a centralized service delivery	Work with Change Management Team to define an organization and transition plan to new structure. Begin effort early to develop support for the model and the necessary culture change to make the Service Bureau approach a success. If the Commonwealth cannot make the full transition, develop Service Bureaus at the Secretariat level. This approach will not generate the full level of savings possible under a single bureau but still does generate significant savings for the Commonwealth. It will also be easier to achieve in a shorter time period.
Agencies could be resistant to the imposition of Commonwealth-wide performance goals	Stakeholder management activities and cascading communication messages need to be developed to support the goals and secure the necessary buy in from the top down
Existing staff who are not required to support administrative processes may have difficulty transition to more strategic HR or mission facing roles	Carefully plan communications, training and transition activities to maximize success. Use communications to help employees see transition as a career progression.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-79 describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-79: Proposed Solution for Evaluation

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Commonwealth wide process	Process remains Commonwealth-wide but workflow, forms and tracking capabilities are provided within the application	Implement PeopleSoft's Evaluation module to fully automate the Evaluation process
		Flexibility	Use configuration and a roll up hierarchy to permit more levels but standard performance levels across the Commonwealth	Define map from Agency desired scales to Commonwealth-scale within the PeopleSoft application

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Lack of support from Legislature	The proposed solution will not address this issue	N/A

Efficiency, Productivity, Service Delivery, Accountability, Accountability and Cost Relative to As-Is Process

The Due Diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-80 shows how our proposed solution for the Evaluation process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-80: Process Improvements for Evaluation

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	
On-line data entry	Data entry is on-line
Automatic notifications and reminders	Notifications and reminders are built in workflow of the system
Ability to auto-update salary fields	Integrated with HR system. Salary fields will be updated at the start of the process. Increases generated and approved as part of this process will be fed back to HR system
Feed development needs to LMS	PeopleSoft has the capability to do this. The proposed solution does not include LMS at this time. An interface to LMS is also not currently in scope but could be added if justified
Productivity	
Paperless Process	Entry at the source and automated processes eliminate the need for paper copies
Automate manual processes	Integrates with HR and payroll, automated workflow, self-service data entry all automated
Service delivery	
User Friendly	Screens are intuitive and easy to follow. Commonwealth-specific help text will be developed to guide users in the meaning of fields to the Commonwealth
Accountability	
Ability to track and monitor compliance with guidelines and completion	Delivered reporting capabilities support this desire
360 degree evaluations and upward feedback capability	This functionality is available in the PeopleSoft evaluation module. The design work to develop and deliver this functionality is not part of the existing scope of the proposed solution. Should the Commonwealth decide to implement these programs, the system will support delivery at that time
Cost	
Link pay to performance	PeopleSoft has the ability to feed the compensation planning cycle. However, the ability to reward high performance is a policy and process issue rather than a technology solution
Fund pay for performance plan	This is a legislative issue and cannot be addressed in the

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
	scope of the proposed solution

Benefits

Non-Financial

The team has identified the following non-financial benefits:

- Common processes
- Shared, common metrics
- Significant reduction in non-HR administrative time associated with workflow, tracking, development of historical data, creation of forms, etc.
- Improved documentation results in a reduction of time defending grievances and EEOC complaints
- Reduction in frustration with the need for duplicate entry in multiple systems

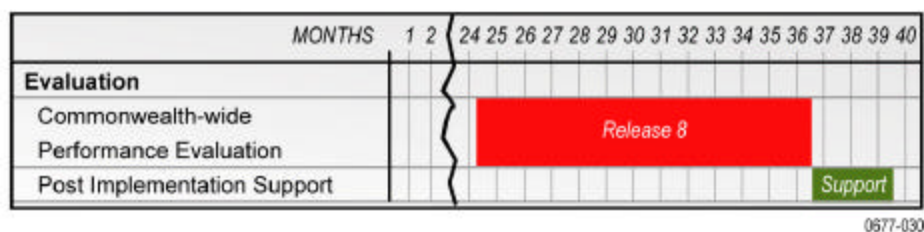
Financial

Financial benefits are discussed in section 5 of this document.

Short Term (<24 Months) vs. Long Term

As shown in the following partial HR solution map, the proposed Evaluation solution occurs at month 36 and is classified as long term.

Figure 3-43: Evaluation Solution Map

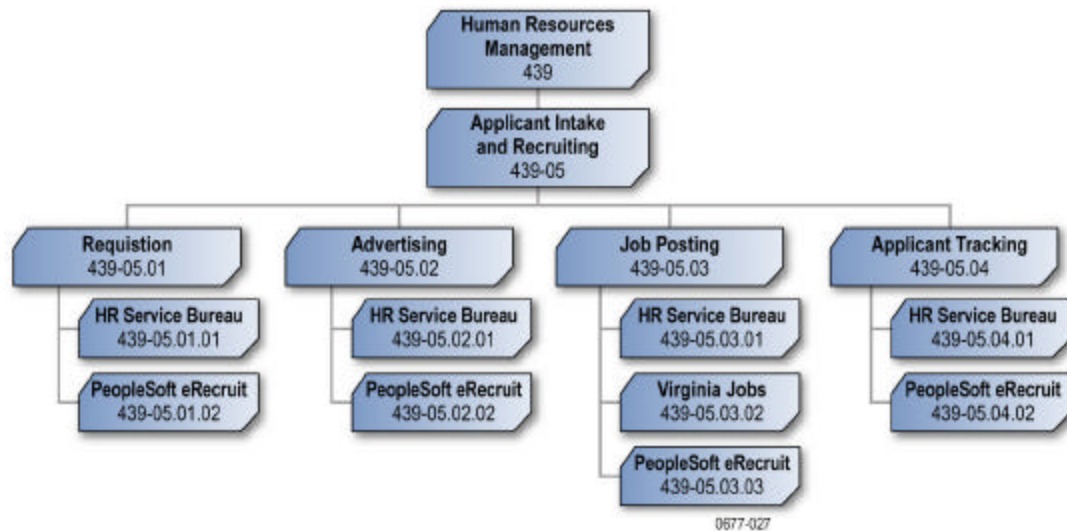


3.3.6 Applicant Intake and Recruiting Process

The team is proposing the implementation PeopleSoft's Candidate Gateway and Talent Acquisition Manager modules to support enterprise applicant intake and recruiting.

The new process decomposition to support Applicant Intake and Recruiting is:

Figure 3-44: To Be Applicant Intake and Recruiting Process Decomposition



The proposed solution continues to utilize Virginia Jobs and supplements it with an HR Service Bureau and PeopleSoft's Candidate Gateway and Talent Acquisition Manager modules. The solution eliminates an existing need for individual agency-specific applicant tracking systems and creates a common process for all sub-processes within Applicant Intake and Recruiting. It also eliminates the need for Agency-specific systems for Requisitions, Advertising and Job Postings that may not have been identified as part of the due diligence effort for PPEA2. The system provides manager self-service for requisitions creation and approval, job postings, interview management and candidate evaluations, and job offer creation and approval. Recruiters and managers receive a dashboard where they can check the requisitions which are assigned to them. Workflow is automated throughout the process and applicants receive email notifications as their status changes throughout the application process. The system also provides a new capability for automated matching, screening, and scoring to recruiters. Applicants and employees have the ability to drop off resumes without applying to specific positions. This gives applicants the opportunity to indicate an interest in working for the Commonwealth even when no positions are available which currently match their skills. These resumes become part of the applicant pool. When recruiters run the job matching process, these individuals will be part of the search results and can be attached to applicable openings for the manager to review. In addition, both applicants and employees have the ability to create their own saved job search agents which run weekly and notify them of new opportunities for which applicants are a fit.

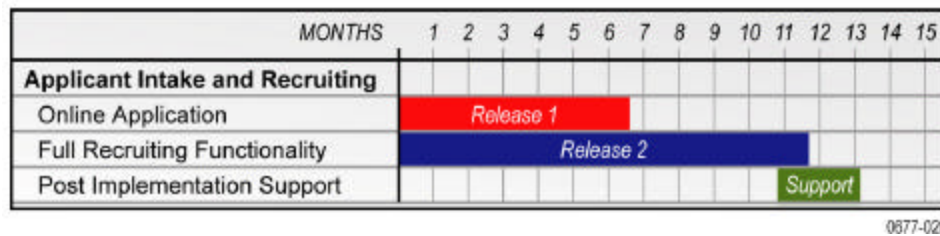
The proposed solution will save effort for Commonwealth employees in completing applications for positions either within their own agency or across agencies. The system will pre-populate as much information as can be gathered from the PMIS system into an application when an employee first creates one. As the employee begins to build a resume, all entered information is stored. This resume can then be leveraged for future applications without the need to re-create all that has previously been entered into the system. To provide opportunity for greater mobility and increased opportunity for developing careers with the Commonwealth, the proposed solution treats all Commonwealth positions as internal and makes them visible across agencies. This will

substantially broaden the applicant pool for internal positions to get the best person for each job and increase employee satisfaction as more opportunities are available to employees prior to posting them for external hires.

From a support perspective, the proposed solution calls for the formation of an HR Service Bureau. Recruiting expertise will be housed ideally within a single Bureau which services all agencies. This approach maximizes the savings and efficiencies the Commonwealth can achieve.

Our proposed solution includes two releases. The first release will occur seven months after the commencement of the process and will provide the Commonwealth with an on-line application capability. This will be followed five months later with the full recruiting functionality.

Figure 3-45: Applicant Intake and Recruiting Solution Map



0677-028

Process Narrative

While the Commonwealth treats Requisition and Job Posting as two separate processes, PeopleSoft combines them in a single process as part of the manager self service module. Therefore, the following discussion will combine them as the inputs and outputs are generated together.

Applicant Tracking, a Commonwealth-defined sub-process is defined to include the submission of applicants and the management of candidates through the pipeline in this discussion.

The inputs and predecessors to the applicant intake and recruiting process do not change nor do the outputs and successors. However, there will be less manual input of transactions and less time devoted to reconciliation. This impact is reflected in the increased efficiency of the resources needed to support the applicant intake and recruiting process. A summary of the characteristics of the To-Be process environment is presented in Table 3-81.

Table 3-81: Process Characteristics for Applicant Intake and Recruiting

Characteristic	Under Proposed Solution
Inputs and predecessors	<ul style="list-style-type: none"> ▪ Requisition/Job Posting <ul style="list-style-type: none"> – Job skills identified as part of the position classification process – Approval to fill a position as part of the Agency position budget management process – Salary and band ranges – Job location and preference information – Minimal job requirements ▪ Advertising <ul style="list-style-type: none"> – An approved requisition – Historical data on sourcing channels and their effectiveness for various types of positions

Characteristic	Under Proposed Solution
	<ul style="list-style-type: none"> – Sourcing channel decision – Job information required for the advertisement – Desired posting information and requirements – Additional information to be included in the job posting ▪ Applicant Tracking <ul style="list-style-type: none"> – A job posting which candidates can apply to – Submitted applications by individuals interested in working for the Commonwealth – Screening and scoring results from the automated processes contained within PeopleSoft
Outputs and successors	<ul style="list-style-type: none"> ▪ Requisition/Job Posting <ul style="list-style-type: none"> – Completed and approved job requisition – Completed and approved job posting – Preliminary screening criteria – Advertising – Applicant Tracking ▪ Advertising <ul style="list-style-type: none"> – Source campaign plan – Delivered advertising – Invoices to Accounts Payable – Applicant Tracking ▪ Applicant Tracking <ul style="list-style-type: none"> – Submitted applications – Screening and Scoring Results – Rejection Letters – Invitations for Interview – Interview Summary Documents – Candidate Evaluation Forms – Offers and approvals – Completed Checklists – New Hire Process
Process owner	DHRM
Resources	Fewer human resources will be required for reconciliation and transaction processing.
Process orientation	Centralized
Process placement	In-sourced

Process Objectives and Key Performance Indicators (KPIs)

The Applicant Intake and Recruiting solution is designed to standardize the current multiple Commonwealth applicant intake and recruiting processes to a single Commonwealth-wide process. The result of this standardization will be improvement in the direct key performance indicators associated with the Applicant Intake and Recruiting process. An additional benefit will be the indirect improvement of some Agency Key Performance Indicators. It is important to note that both types of Key Performance Indicators may or may not be part of what the Commonwealth measures now, but both are considered to be important in capturing the benefits realization from the proposed solution. An important part of our design will be the ability to capture these measurements.

Table 3-82: Key Objectives for Applicant Intake and Recruiting Process

Sub-Process	Key Objectives
Requisition	<ul style="list-style-type: none"> Standardize to a single enterprise process across all agencies Use configuration within the PeopleSoft application to address key data differences (hierarchies, unique competencies, etc) and other business processes needed for agencies Provide manager self service for this process Automate workflows and eliminate the need for paper processing Provide consistency in posting descriptions and compliance with position classification processes Identify minimum job qualifications and mandatory levels of applicant skills
Advertising	<ul style="list-style-type: none"> Provide standard metrics for measurement of the process Obtain volume discounts by negotiating as a Commonwealth rather than individual agencies Better manage campaigns and sources Better describe minimum job qualifications to obtain better candidate matches Force applicants to the online application as much as possible to reduce the manual handling of applications and candidates
Job Posting	<ul style="list-style-type: none"> Preserve the Virginia Jobs site. Applicants are familiar with this site and there is no reason to create a new one for this implementation. Automation of interfaces with job boards like Recruit USA, monster.com, hotjobs.com , etc. This is PeopleSoft delivered functionality the Commonwealth can leverage. Standardize rules around time frames and requirements for internal posting and external posting Automate the posting process Standardize descriptions to be compliant with required content
Applicant Tracking	<ul style="list-style-type: none"> Find the best matches in the most efficient manner for Commonwealth positions Share applicant information across agencies to fill more positions more efficiently Provide a better user experience for applicants to Commonwealth positions Transition from manual applications to on-line applications Automate the screening, scoring and matching processes Remove possibility for prejudice in screening and scoring processes Automate workflow to move applications through the pipeline Automate the reporting and tracking notifications to both recruiters and managers Automate the process of notifying applicants of their status and inviting them to interviews Automate the offer generation process Automate the feed to the Commonwealth's Personnel Management Information System (PMIS) of new hire processing Auto-populate information for existing employees to minimize the keying in applying for new jobs Standardizing processes and metrics across agencies Achieving efficiencies by sharing resources in HR Service Bureau

Proposed Key Performance Indicators

To establish a baseline for the realization of business benefits, the Commonwealth Partners propose the following key performance indicators to support the Applicant Intake and Recruiting processes.

Table 3-83: KPI's for Applicant Intake and Recruiting

Measure	Definition	Goal	Notes
Recruiting Efficiency Ratio	Total Staffing Costs/Total Compensation Recruited	Improve efficiency rating	
On Line Application Rate	Number of applications received on line divided by number of applications received in total	Significantly reduce the number of applications received via manual channels	
Cost Per Hire	Total costs for recruiting divided by number of hires	Decrease in cost per hire	
Cost Per Applicant	Total costs for recruiting divided by number of applicants	Decrease in cost per applicant	
Time to Locate Applicants	Time to develop a qualified applicant pool for manager consideration	Reduction in time for formation of qualified applicant pool	Calculated from requisition open date to date manager can begin screening/interviewing.
Time to Hire	Time to fill an open position or requisition	Reduction in time to hire	Calculated from requisition open date to employee start date
Time to Fill	Time to fill an open position or requisition	Reduction in time to fill	Calculated from requisition open date to offer accepted date
Applications by Source	Number and percent of applications received by recruitment source	Identify most successful sources and use them more fully	Measures effectiveness of recruitment channels in attracting candidates to Commonwealth jobs
Hires by Source	Number and percent of hires by recruitment source	Identify most successful sources and use them more fully	Measures effectiveness of recruitment channels in attracting candidates fully qualified for Commonwealth jobs
Number of Candidates Per Hire	Total number of candidates attached to requisitions divided by total number of hires	TBD based on Commonwealth's definition of Candidate	This formula needs to be adjusted to fit the Commonwealth definition of candidate. In general, the designation of an individual as a candidate occurs at some point after an application is received. We must receive a single Commonwealth-wide ruling before the completion of the detailed design phase for this implementation.
Number of Candidates Per Position	Number of candidates identified for screening for an open position, i.e., number of candidates who apply or are attached to an individual requisition divided by the number of positions included in the requisition	Increase the number of candidates per position.	This metric will improve as a result of the recruiter matching functionality included with the tool. Recruiters have the ability to search the entire Commonwealth database and find matches which can be attached to requisitions for consideration by the hiring manager.
Number of Candidates Eliminated by Screening	Preliminary Screening is total candidates who apply or attached to a requisition minus number of candidates who pass preliminary screening. Final Screening is total	Increase the number of candidates eliminated by screening so managers and recruiters are focused on only qualified candidates	Talent Acquisition Manager has two screening processes – Preliminary and Final. Preliminary Screening is automatic based on the mandatory requirements and preferences included in the

Measure	Definition	Goal	Notes
	candidates who pass Preliminary Screening minus total candidates selected for interview.		requisition. Final Screening involves manager or recruiter manipulation of requirements to get to a more manageable pool of applicants. Will be reported as two separate measures.
Number of Interviews Per Position	Number of candidates interviewed for an open position	Decrease the number of interviews required to fill a position	
Number of Candidates Eliminated by Interviewing	Number of candidates who had been selected for interview who are not routed to the Offer process	Fewer candidates being interviewed overall as well as by position and fewer interviewed candidates being rejected	
Number of Offers Accepted	Number of offers accepted for open positions	Increase acceptance rate	
Number of Rejections by Reason	Number of candidates who receive rejection emails by reason as well as number of candidates who reject offers by reason.	Decrease number of offers rejected by candidates. Identify process improvements to be implemented by rejection reasons.	
Internal/External Fill Rate	Number of open positions filled through internal transfers and promotions/ Number of open positions filled with non Agency or Commonwealth employees	Increase internal fill rates at all band levels and minimize external fills to positions at lower band levels or hard to hire for jobs.	Commonwealth will want to calculate this metric both by Agency and as a Commonwealth
<i>Indirect KPIs to be Improved as a Result of the Candidate Gateway and Talent Acquisition Manager Solution</i>			
Attrition Rate	Number of departures from position due to termination, retirement or transfer	Reduction in attrition among employees with less than 5 years of service	Calculated as number of terminations, transfers and leaves over starting headcount plus new hires. Measure voluntary versus involuntary
New Hire Turnover	Termination rate for employees within 1 year of hire	Significant reduction in new hire turnover	
Retention by Performance Rating	Labor turnover by performance rating	Reduction in poor performers but higher turnover among those rated poor and decrease in turnover of high performers	KPIs include both high and low performer turnover
Poor Performance Ratio	Percent of employees with poor performance ratings	Decrease in percent of employees with poor performance ratings	
Qualified Hire Rate	Number and percent of employees meeting expectations during first 12 months of performance	Increase number of employees with a rating of satisfactory or higher	
Internal Succession Rate	Number of management and executive positions filled internally	Decrease in external hires and increase in Internal Succession Rate for positions at this level	This can be looked at both at an Agency level and Commonwealth-wide.
Workforce Utilization Rate	Proportion of all labor time spent in mission facing	Redirection of staff from administrative activities	

Measure	Definition	Goal	Notes
	activities	to mission activities.	

Integration Points with Other Processes

We have identified the following integration points with other processes:

- Data contained within the Enterprise HR tables must provide the base data for Commonwealth employees to payroll and time and labor modules to eliminate the need for re-keying data as well as making data consistent between systems.
- Candidates who accept offers must be passed to the Enterprise HR functionality for New Hire processing.
- Approval to hire for a position must be verified with the budgeting process as part of the requisition creation process.
- Any standard information which is developed as part of the position classification process will need to be incorporated in the job posting description. To the extent these represent minimum job qualifications, they will need to be incorporated into competencies and screening questions within the Job Requisition creation process.
- Metrics data must be shared with the HR Dashboard beginning with Release 5 – the point at which the HR Dashboard is launched for the Commonwealth.

Organizational Impact Considerations

We believe the best way to organize to support this solution is in a single HR Service Bureau. In this model, all Commonwealth staff supporting the administration of individual HR processes would be transferred to the HR Service Bureau. Individuals would be assigned to support agencies on the basis of workload and expertise. Subject matter experts and policy setters would remain with their existing agencies. This model targets the maximum cost savings and efficiencies for the Commonwealth.

The management of the new and existing applications is centralized and outsourced to IBM's Application Management Service group.

Impact on Existing Policies and Procedures

There are a number of impacts on existing policies and procedures as a result of the proposed solution:

- The proposed solution for Candidate Gateway and Talent Acquisition Manager includes a Commonwealth-wide database. This can have a significant impact on existing policies and procedures around the sharing of applicants across agencies. Ideally, the Commonwealth recruiters will be able to search the database of all applicants for all agencies and attach candidates to other requisitions when the individual is a "good" match for another position. This can be a valuable selling point to applicants when they visit Virginia Jobs. Besides applying for specific jobs, applicants can drop off an application and be attached to matching

jobs by recruiters as part of their database searches for matches. At the same time, it represents a new way of recruiting for the Commonwealth.

- Equal Employment Opportunity (EEO) and Affirmative Action policies and regulations will have to be thoroughly reviewed against PeopleSoft Talent Acquisition Manager processes. Decisions will have to be made as to whether to recommend changes to policies and procedures or to customize the PeopleSoft application to match Commonwealth guidelines.
- Posting guidelines will have to be standardized and rules about posting internally only within an agency or to all agencies at once determined. Standard timelines about the time gap between internal and external postings will also have to be determined.
- Policies regarding lengths of time an employee must be in a current position before applying for a new position will have to be examined across agencies and revised to get to a single rule that can be enforced in the application.

Other Risks

The team has identified the following risks associated with the implementation of the proposed solution for the Applicant Intake and Recruiting Process:

Table 3-84: Risks and Mitigation in Applicant Intake and Recruiting







Risk	Mitigation Approach
Managers may be resistant to taking on the self-service creation of requisitions and job postings	Work with Change Management Team to define approach which helps managers understand the benefits to them. Communicate early and often on what's coming, what it means and how the transition will occur. Develop job aids and on demand self service training to support managers in transitioning to self service
Agencies may be resistant to making the necessary policy and procedures changes to support the solution	Identification of key senior stakeholders and working with them to develop understanding for and support of the required changes will be a key mitigation factor for this risk. Once we have achieved that, we can cascade down the decision, direction and responsibility for making it happen within each of the agencies.
Recruiters may not immediately be able to effectively manage the screening criteria to achieve the best results for the Commonwealth	Develop targeted training and job aids to explain how the functionality works and how to use it to the Commonwealth's advantage. Develop communication messages so that the recruiters know about the function within PeopleSoft's Talent Acquisition Manager module, its benefit to them and the tools to help them use it.
Agencies may refuse to support a centralized service delivery mechanism	Work with Change Management Team to define an organization and transition plan to new structure. Begin effort early to develop support for the model and the necessary culture change to make the Service Bureau approach a success. If the Commonwealth cannot make the full transition, develop Service Bureaus at the Secretariat level. This approach will not generate the full level of savings possible under a single bureau but still does generate significant savings for the Commonwealth. It will also be easier to achieve in a shorter time period.
Agencies may be unable to agree to an enterprise process	Use the workshop time to help agencies see points of commonality, understand differences. Be prepared ahead of the workshop with proposals for configuration solutions which will address agency needs while at the same time driving toward a common process.
Applicants may find completion of the application form a time consuming process	Leverage lessons learned from other implementations to get to the most streamlined form possible. Develop messages for managers and recruiters about the need to have competencies and screening questions inserted into a requisition, truly helping to distinguish qualified candidates from non-







Risk	Mitigation Approach
	qualified candidates , and to limit the number to minimize the time applicants must spend answering the questions. Provide better practice guidance on descriptors associated with level of expertise as part of configuration to minimize applicant confusion.
Managers and recruiters could fail to check their work queues and fail to complete assigned work on a timely basis	Consider establishing a temporary and manual nag process at launch to help managers and recruiters get used to checking the tool to get their work. Configure the workflow notifications to help managers and recruiters more readily understand the need to act on these email notifications .
Existing staff who are not required to support administrative processes may have difficulty transition to more strategic HR or mission facing roles	Carefully plan communications, training and transition activities to maximize success. Use communications to help employees see transition as a career progression.

Improvements, Strengths, and Weaknesses Relative to As-Is Process, Including Best Practices

This section describes the impact of the To-Be environment on the major strengths and weaknesses identified in the As-Is environment. A green light indicates that an item is a strength. A red light indicates a major weakness and a yellow light indicates a minor weakness. Table 3-85 describes how the proposed solution either addresses a weakness, or builds upon a strength. The rightmost column gives a brief description of the opportunity for re-engineering and re-solutioning arising from the strength or weakness indicated.

Table 3-85: Proposed Solution for Applicant Intake and Recruiting

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
		Commonwealth wide application	Replace the existing application with PeopleSoft which automates more of the processes within Applicant Intake and recruiting	On Line Application creation,
		Use of Technology	The proposed solution continues to provide multiple avenues for submitting applications; however, the preferred method is on-line build of the application. Electronic signatures continue to be used. The PeopleSoft application provides multiple search options to enable applications to find jobs. The proposed solution provides significant additional technology to the Commonwealth: automated workflow and notifications, integration with New Hire Onboarding in HR system, automated screening, scoring and matching, requisition management, ability to share applicants and openings across agencies, etc.	Implement Candidate Gateway and Talent Acquisition Manager modules of PeopleSoft, re-engineer business processes to take advantage of full range of technical capabilities, and share recruiting resources across agencies both through the HR Service Bureau and conducting joint recruiting campaigns.
		Flexibility	Agencies will continue to have the ability to post their own	Use recruiting templates and configuration to design

As-Is	To-Be	Strength or Weakness Description	Under Proposed Solution	Re-engineering/ Re-solutioning Opportunity
			requisitions and customize their postings to fit the needs of the agencies.	agency-specific forms, content, etc. that are delivered in an automated form to end users
		Cost	Cost per hire will be reduced even further	Automate many manual processes and workflows. Integrate with Personnel Action Processing system for New Hire process.
		Usability	An applicant can attach a single application to many jobs across all agencies in the Commonwealth in a sitting. That application is preserved in the system and available for future applications. The applicant can also submit an application that does not apply to a specific job but indicates an interest in working for the Commonwealth. Recruiters can find that applicant using built-in matching capabilities and attach the application to suitable requisitions. Internal candidates will have existing data in HR systems pre-populate in their resumes.	On line application build and apply process. Automated matching capabilities. Automated workflow Automated tracking Automate screening and scoring Dashboard to manage requisitions and candidates Offer build and approve process Email notifications to applicants, managers and recruiters eliminating need to create and send correspondence from a different system
		Lack of Integration	Complete postings contained in a single portal – workflow submits the applications to the appropriate individuals in agencies. Integration with employee data in Commonwealth HR systems to eliminate the need to re-key some information. Integration with HR system for New Hire process.	Complete integration with Personnel Action, Payroll and Time and Labor systems. Integration across agencies – provides a seamless experience for applicants. Integration of application and tracking processes. Integration with requisitions creation and posting process.

Efficiency, Productivity, Service Delivery, Accountability, Accountability and Cost Relative to As-Is Process

The Due Diligence interviews and surveys raised numerous suggestions from the Commonwealth for business process improvements. Table 3-86 shows how our proposed solution for the Applicant Intake and Recruiting process incorporates the related suggestions that we heard from the Commonwealth team members.

Table 3-86: Process Improvements in Applicant Intake and Recruiting

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
Efficiency	

Commonwealth Staff Suggestions for Process Improvements Gathered During Due Diligence	Commonwealth Partners Proposed Solution
On line application	Candidate Gateway provides an on line application form
Applicant keys all data for application	Applicants build their own resumes in the system providing Commonwealth-required data
Ability to apply to more than one agency with a single application	Resume file is saved. Applicants can use the same on line application to apply to other jobs. In addition, in a single sitting, applicants can apply to all jobs in their job baskets at the same time
Integrated with HR	The system will pre-populate as much of the application form as possible for Commonwealth-employees. Talent Acquisition Manager also feeds approved hire transactions to the HR system
Productivity	
Paperless process	Entry at the source and automated processes eliminate the need for paper copies
Scan resumes and enter into system	PeopleSoft provides multiple ways to get resumes into the system including scanning. They deliver a resume processing tool which scrapes information out of resumes and populates it in appropriate fields to minimize the work of building the on line application form
Automate manual processes	Requisition approval and posting, candidate screening and scoring, interview evaluation, offer build and approval and new hire processes are all automated
Eliminate manual keying of applications by recruiters	Applications are built on line by the applicants. Keying by recruiting would only be required if the Commonwealth continues to accept paper resume submissions
Automated screening capability	Talent Acquisition Manager delivers several levels of screening and scoring
Service Delivery	
User Friendly	Screens are intuitive and easy to follow. Commonwealth-specific help text will be developed to guide users in the meaning of fields to the Commonwealth
All recruiting processes handled in a single system	The entire recruiting process from requisition processing to hire is handled in the PeopleSoft system
Web based	All users interact with the system over the web
Successful transaction confirmation notices	Users receive an on-screen notice when a transaction has been successfully automated
Accountability	
Provides DHRM EEO data	EEO data and reporting are collected and available for interface to whatever systems are required
Cost	
Reduce advertising costs by forcing ads to contain link to web site and less text	This is more of a policy and business process issue and will need to be addressed as part of the business process re-engineering

Benefits

Non-Financial

The team has identified the following non-financial benefits:

- Common processes
- Shared, common metrics

- Larger applicant pools
- Better candidates presented to managers for further processing
- Elimination of manual pre-screening
- Better hires
- More mobility among agencies
- Increased satisfaction with Commonwealth career paths
- Advertising savings through better use of job boards, securing better pricing for the Commonwealth than for individual agencies
- Ability to achieve additional advertising savings by combining advertisements in a single source at a single point in time as a Commonwealth posting. Candidates can apply to more than one job at more than one agency with a single application

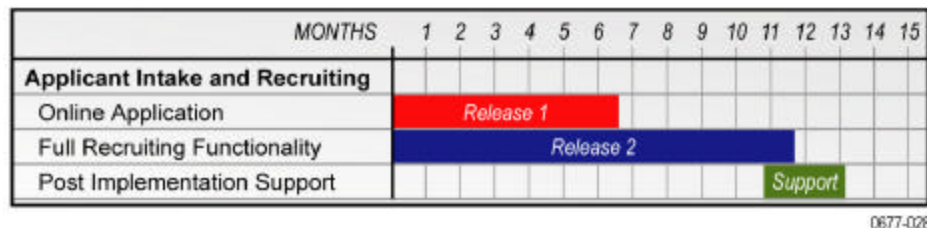
Financial

Financial benefits are discussed in section 5 of this document.

Short Term (<24 months) vs. Long Term

As shown in Figure 3-46, all of the proposed Applicant Intake and Recruiting solution falls in the category of short term.

Figure 3-46: Applicant Intake and Recruiting Solution Map



3.3.7 Human Resource Management Conclusion

The Commonwealth Partners team believes the complete proposed solution for HR contained in this section best helps the human resource function support the Commonwealth in its journey to stay the “Best Managed State in the Nation”³. It puts in place processes which are integrated across the Commonwealth, delivers HR service more efficiently, economically and consistently, eliminates redundant systems and data entry and provides the tools and baseline to improve performance on a continuous basis. We also believe this solution preserves the existing strengths of HR processes within the Commonwealth and makes significant strides in addressing the identified weaknesses.

In *The Interim Report of Council on Virginia’s Future* dated January 12, 2005, specific goals for Continuous Improvement were identified:

³ Government Performance Project, *Grading the States 2005*

- Cost reductions
- Operational Efficiencies
- Programmatic Effectiveness

We are confident that the proposed solution helps human resources in the Commonwealth to progress in achieving these goals.

- Cost reductions are achieved through the elimination of duplicate systems and data entry, reduction in HR application maintenance costs through outsourcing and re-organizing the delivery of HR administrative services into an HR Service Bureau.
- HR operational efficiencies are achieved through the redirection of HR staff to more strategic HR activities or back toward mission-facing activities, the standardization of HR processes across agencies and the sharing of information across agencies.
- Programmatic effectiveness for HR programs are achieved through consistent policies and procedures across agencies, the re-shaping of agency policies and practices to permit greater sharing of resources and data across agencies, development of metrics to measure HR effectiveness and establish the baseline for improvements.

The same report identified the guiding principles for continuous improvement efforts:

- Improvement goals must be realistic
- Collaborative behavior within and among agencies is expected
- Change must be sustainable
- Benefits must be measurable
- Accountability must be clear

The proposed solution for HR supports focus on these principles:

- The initial goals contained within this proposed solution are very realistic and are based on a very conservative business case. Significant improvements will be realized through the implementation of the processes, technologies and reorganization included in the solution. Creation of the Center of Excellence establishes a mechanism to continue the improvement efforts. It will support the establishment of a baseline from the point of implementation and then identify the realistic and incremental improvements possible for the future. These goals will be based on real data about HR processes as well as a deep understanding of the strategy and direction for human resources across the Commonwealth.
- The changes in agency policies and procedures called for in this solution, the reorganization of administrative HR services into an HR Service Bureau that supports all agencies and the integration of data within a single source all support the desired collaborative behavior within and among agencies.
- Change is sustained both through the use of the enabling technologies and creation of the HR Service Bureau. Unique agency needs are defined and supported in the enterprise

application through the configuration capabilities of PeopleSoft. Without the administrative staff to develop and maintain agency specific tools for differences in process and practice, there is less ability to deviate from the desired goals. The establishment of the key performance indicators further enhances the ability to sustain change. HR executives will get early warning of less than expected performance and be able to rapidly identify the causes and address them.

- The proposed solution creates and integrates the data to support benefit measurement that is lacking today.
- Accountability for non-strategic HR activities is shifted to the HR Service Bureau with fewer managers responsible for achieving the desired results. This leaves HR experts within the agencies free to focus on strategic HR policies and programs which advance the missions of their agencies and the performance goals of the Commonwealth and for the Commonwealth to hold them accountable for those.

At the same time, we believe this HR solution generates the best benefits realization case for the Commonwealth which is outlined in Section 5 of this document.

Our methodology and approach for achieving this vision are outlined in Section 4.